



Mayor
Bobby W. Sparrow

City Clerk/Administrator
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February 13, 2006

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PUBLIC SERVICE
COMMISSION

Mr. Brent Kirtley
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

RE: TFS 2006-155

Case No. 2006-00067

Dear Mr. Kirtley:

Enclosed please find copies of The City of Lawrenceburg's 2004 and 2005 audit reports prepared by Farmer & Humble Certified Public Accountants. The City's counsel, John David Myles, asked that I forward these to you in reference to our recently filed tariff.

If you have any questions, please do not hesitate to contact me at the above address or to contact Mr. Myles.

Sincerely,

Edwinna Baker

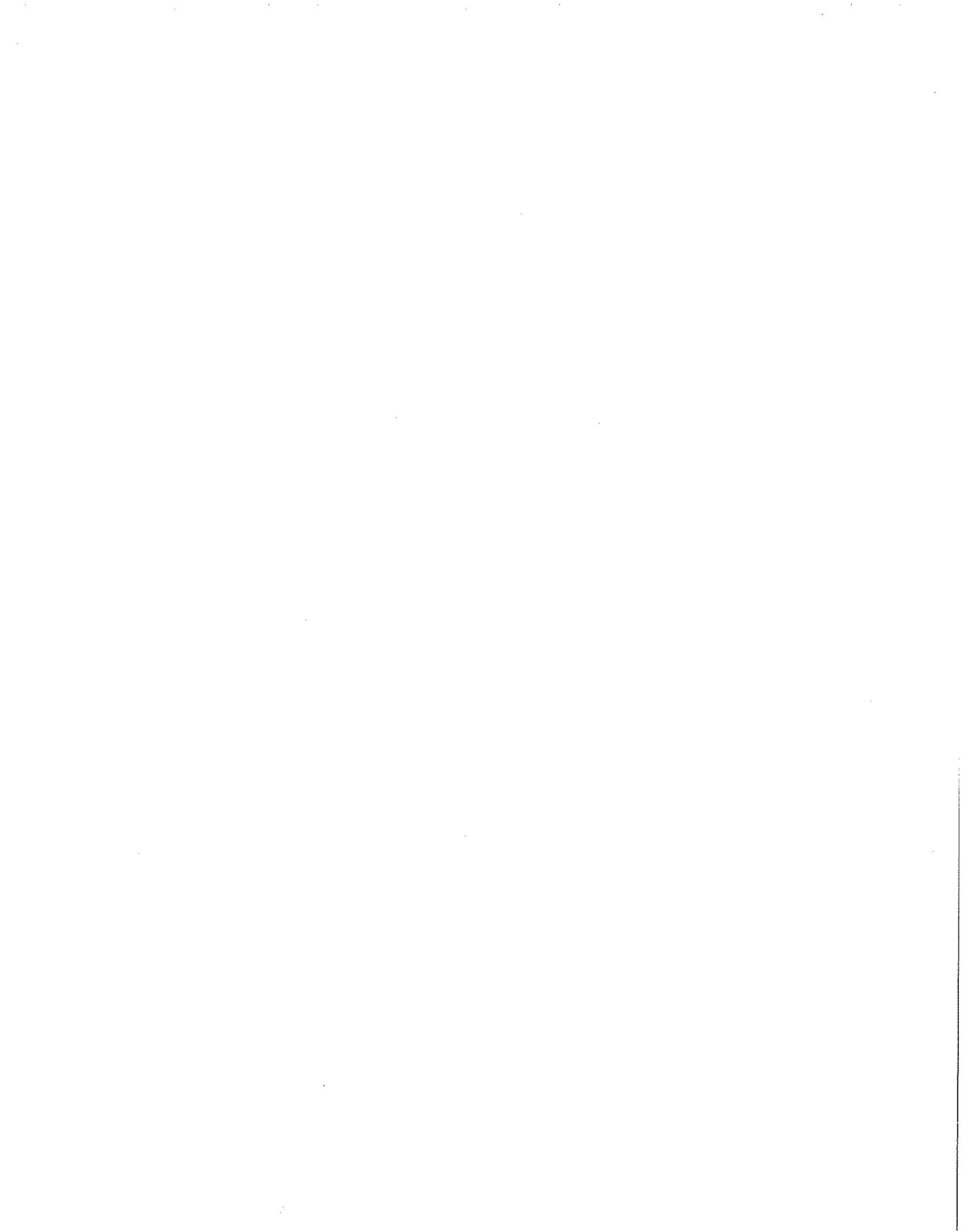
Edwinna Baker
City Clerk/Administrator

CITY OF LAWRENCEBURG, KENTUCKY
BASIC FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
FISCAL YEAR ENDING JUNE 30, 2005

Case No. 2006-00067

**CITY OF LAWRENCEBURG
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2005**

	PAGE
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12
Fund Financial Statement:	
Balance Sheet-Governmental Funds	13
Reconciliation of the Statement of Net Assets of governmental Funds to the Balance Sheet	14
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Revenues	16
Statement of Net Assets-Proprietary Funds	17
Statement of Revenues, Expenses, and Changes in Net Assets-Proprietary Funds	18
Statement of Cash Flows-Proprietary Funds	19
Statement of Fiduciary Net Assets-Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assts-Fiduciary Funds	21
Notes to the Basic Financial Statements	22-32
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund	33
Schedule of Expenditures of Federal Awards	34
Notes to the Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	37
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	38



FARMER & HUMBLE
CERTIFIED PUBLIC ACCOUNTANTS
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LAWRENCEBURG, KENTUCKY 40342
(502) 839-3588

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lawrenceburg
100 North Main Street
Lawrenceburg, Kentucky 40342

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrenceburg, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrenceburg as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2005, on our consideration of City of Lawrenceburg, Kentucky's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3-10 and 33 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lawrenceburg, Kentucky's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of City of Lawrenceburg, Kentucky. The combining and individual nonmajor fund financial statements and the schedule of expenditure of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Farmer & Humble

Farmer & Humble
Lawrenceburg, Kentucky
September 15, 2005

**CITY OF LAWRENCEBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005**

Within this section of the City of Lawrenceburg (City) annual financial report, the City's management provides narrative discussion of the financial activities of the City for the fiscal year ended June 30, 2005. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by \$14,922,367 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$13,431,353.
- Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt, of \$7,544,962 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$1,093,130 are restricted by constraints imposed from outside the city such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$6,284,275 represent the portion available to maintain the City's continuing obligations to citizens and creditors
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1,243,205, or 43.7% of total General Fund expenditures including transfers and 51.1% of total General Fund revenues including transfers.
- The City's governmental funds reported total ending fund balance of \$1,421,394. This compares to the prior year ending fund balance of \$1,226,012, showing an increase of \$195,382 during the current year. Unreserved fund balance of \$1,243,262 for fiscal year 2005 shows a \$188,326 increase over the prior year.
- Total liabilities of the City increased by \$5.1 million during the fiscal year. Interim KIA financing issued for waste water treatment plan construction during the fiscal year was \$3.7 million.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall economic health of the City would extend to other non-financial factors such as diversification of the taxpayer base or the condition of the City infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Both government-wide financial statements distinctively report governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, street, emergency management, and cemetery. Business-type activities include water utilities and solid waste management. Fiduciary activities such as cemetery trusts are not included in the government-wide statements since these assets are not available to fund City programs.

The City's financial reporting entity includes the funds of the City (primary government).

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statements are included in the basic financial statements for the general fund and revenue fund. Budgetary comparison schedules for other special revenue funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. There are two kinds of proprietary funds. These are enterprise funds and internal services funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization such as the water and sewer utilities.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

Fiduciary funds such as the cemetery trusts are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund City programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Supplementary information follows the notes to the financial statements.

Major funds are reported in the basic financial statements as discussed. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as whole.

The City's net assets at fiscal year-end are \$14,922,367. This is a \$1,491,014 increase over last year's net assets of \$13,431,353. The following table provides a summary of the City's net assets at June 30:

	Summary of Changes in Net Assets (dollars are in thousands)						Amount Change	% Change
	Governmental Activities		Business-type Activities		Totals			
	2005	2004	2005	2004	2005	2004		
Current and other assets	\$ 1,488,686	\$ 1,306,548	\$ 6,386,124	\$ 5,933,634	\$ 7,874,810	\$ 7,240,182	\$ 634,628	8.8%
Capital assets	1,898,017	1,390,317	28,311,692	22,816,385	30,209,709	24,206,702	6,003,007	24.8%
Total assets	<u>3,386,703</u>	<u>2,696,865</u>	<u>34,697,816</u>	<u>28,750,019</u>	<u>38,084,519</u>	<u>31,446,884</u>	<u>6,637,635</u>	21.1%
Long term liabilities outstanding	753,720	221,806	20,093,044	16,863,216	20,846,764	17,085,022	3,761,742	22.0%
Other liabilities	138,442	134,438	2,176,946	796,071	2,315,388	930,509	1,384,879	148.8%
Total liabilities	<u>892,162</u>	<u>356,244</u>	<u>22,269,990</u>	<u>17,659,287</u>	<u>23,162,152</u>	<u>18,015,531</u>	<u>5,146,621</u>	28.6%
Net assets:								
Invested in capital assets, net of related debt	1,010,516	1,161,567	6,534,446	5,733,121	7,544,962	6,894,688	650,274	9.4%
Restricted	48,164	45,214	1,044,966	1,140,020	1,093,130	1,185,234	(92,104)	-7.8%
Unrestricted	1,435,861	1,133,840	4,848,414	4,217,591	6,284,275	5,351,431	932,844	17.4%
Total net assets	<u>\$ 2,494,541</u>	<u>\$ 2,340,621</u>	<u>\$ 12,427,826</u>	<u>\$ 11,090,732</u>	<u>\$ 14,922,367</u>	<u>\$ 13,431,353</u>	<u>\$ 1,491,014</u>	11.1%

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$153,920 for governmental activities and \$1,337,094 for business-type activities. The City's overall financial position improved during fiscal year 2005.

Less positive factors affect the City's governmental activities. Market performance continues to be a concern to the City, and the safeguarding and maintenance of the City's most liquid assets is a priority. Investment income is also a component of the resources funding the City's continuing operations and service levels. Investment performance continued to be marginal during the 2005 fiscal year as interest rates remained low. The national economic recovery strengthened revenues, particularly taxes funding basic services. The City's governmental activities rely heavily on taxes. Revenue achieved projections as a result of the national economic recovery, as discussed. However, operating expenses continue to escalate at a faster pace than revenue growth. The City continued cost-control efforts to address operating costs in excess of revenue growth. In 2005, the economy is improving but rising costs continue to be a concern.

Business-type activities realized continuing benefits from cost of service and rate design programs. The last of new rates authorized under previous studies was implemented in September 2004 for the City's major utilities. New cost of living rates under this study take effect on July 1 of each succeeding year. In fiscal year 2005, increased rates improved revenue. In fiscal year 2005, expected increases in utility revenues were realized.

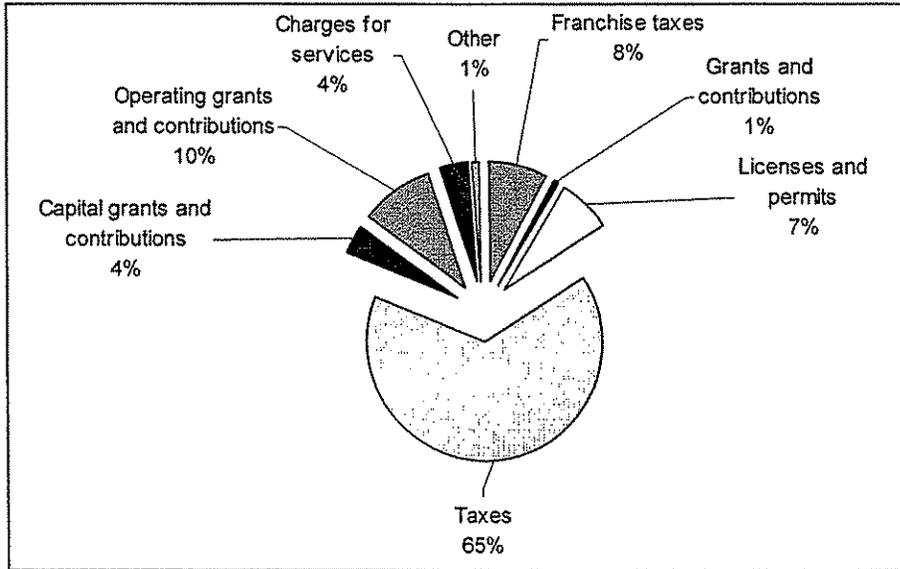
Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the City's changes in net assets for the year ended June 30:

Summary of Changes in Net Assets								
(dollars are in thousands)								
	Governmental		Business-type		Totals		Amount	%
	Activities		Activities				Change	Change
	2005	2004	2005	2004	2005	2004		
Revenues:								
Program revenues								
Charges for services	\$ 109,903	\$ 126,082	\$ 4,065,517	\$ 3,653,452	\$ 4,175,420	\$ 3,779,534	\$ 395,886	10.5%
Operating grants/contributions	276,760	195,876			276,760	195,876	80,884	41.3%
Capital grants/contributions	102,877	33,771	1,019,851	364,179	1,122,728	397,950	724,778	182.1%
General revenues								
Taxes	1,703,718	1,658,375			1,703,718	1,658,375	45,343	2.7%
Licenses and permits	173,040	136,183			173,040	136,183	36,857	27.1%
Interest	5,552	2,153	68,618	95,485	74,170	97,638	(23,468)	-24.0%
Franchise taxes (fees)	203,227	187,842			203,227	187,842	15,385	8.2%
Grants and contributions	22,745	48,639			22,745	48,639	(25,894)	-53.2%
Other	31,201	74,823			31,201	74,823	(43,622)	-58.3%
Total revenues	\$ 2,629,023	\$ 2,463,744	\$ 5,153,986	\$ 4,113,116	\$ 7,783,009	\$ 6,576,860	\$ 1,206,149	18.3%
Expenses:								
General government	\$ 484,206	\$ 429,902	\$	\$	\$ 484,206	\$ 429,902	\$ 54,304	12.6%
Street	476,058	389,367			476,058	389,367	86,691	22.3%
Fire	109,495	82,909			109,495	82,909	26,586	32.1%
Police	1,250,507	1,171,141			1,250,507	1,171,141	79,366	6.8%
EMS	5,727	5,673			5,727	5,673	54	1.0%
Cemetery	131,948	131,169			131,948	131,169	779	0.6%
Interest	17,162	11,360			17,162	11,360	5,802	51.1%
Water and sewer utilities			3,816,892	3,181,103	3,816,892	3,181,103	635,789	20.0%
	<u>\$ 2,475,103</u>	<u>\$ 2,221,521</u>	<u>\$ 3,816,892</u>	<u>\$ 3,181,103</u>	<u>\$ 6,291,995</u>	<u>\$ 5,402,624</u>	<u>\$ 889,371</u>	<u>16.5%</u>
Increase in net assets								
before transfers	<u>153,920</u>	<u>242,223</u>	<u>1,337,094</u>	<u>932,013</u>	<u>1,491,014</u>	<u>1,174,236</u>	<u>316,778</u>	<u>27.0%</u>
Beginning net assets	<u>2,340,621</u>	<u>2,098,398</u>	<u>11,090,732</u>	<u>158,719</u>	<u>13,431,353</u>	<u>12,257,117</u>	<u>1,174,236</u>	<u>9.6%</u>
Ending net assets	\$ 2,494,541	\$ 2,340,621	\$ 12,427,826	\$ 1,090,732	\$ 14,922,367	\$ 13,431,353	\$ 1,491,014	11.1%

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities for fiscal year 2005.

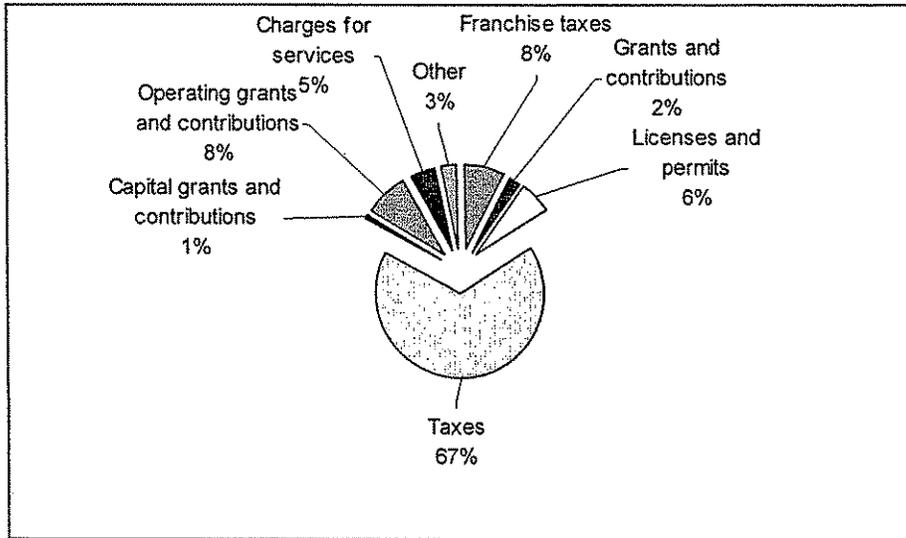
GOVERNMENTAL REVENUES

2005



Total \$2,629,023

2004

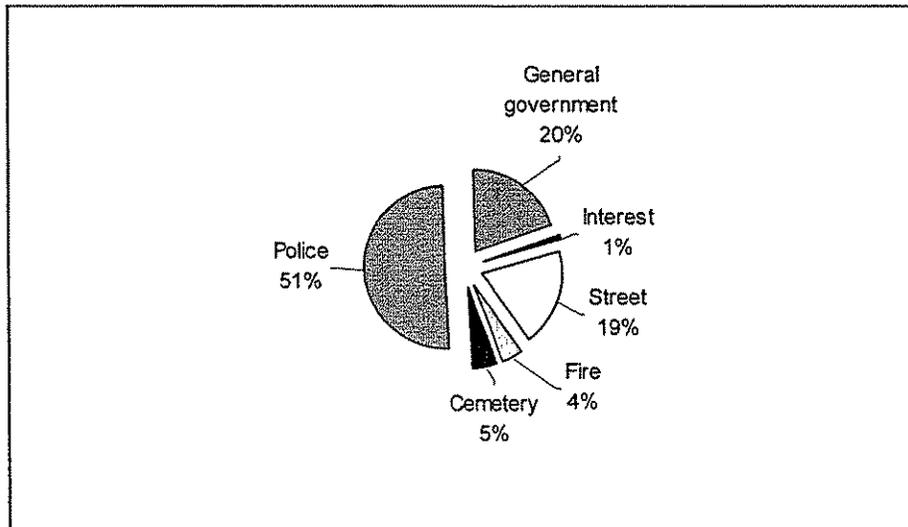


Total \$2,463,744

As graphically portrayed above and discussed earlier, the City is heavily reliant on property and insurance premium taxes to support governmental operations. These taxes provided 65% and 67% of the City's total governmental revenues in fiscal years 2005 and 2004, respectively.

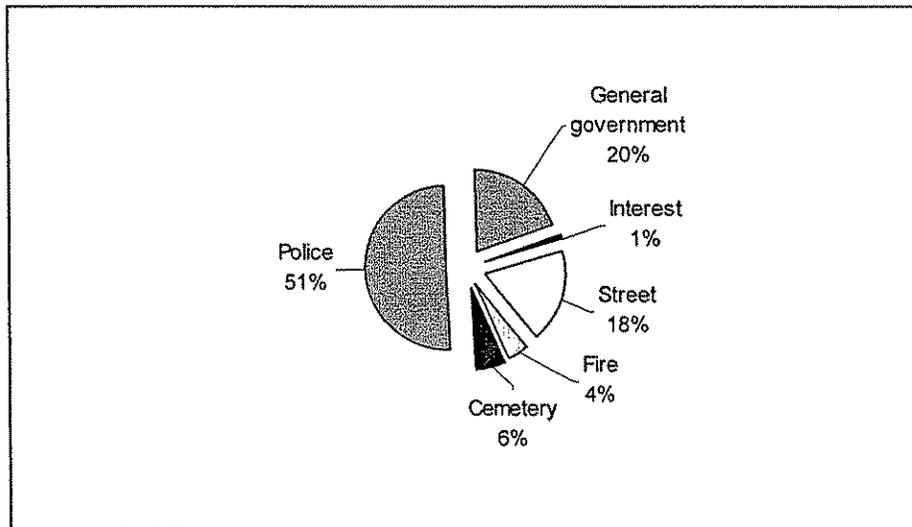
GOVERNMENTAL FUNCTIONAL EXPENSES

2005



Total \$2,475,103

2004



Total \$2,221,521

This graph shows the total governmental activities cost of \$2,475,103 for this year. Of this amount, police with \$1,250,507 in cost for police was the largest operating service cost, at 51% of total cost of services in 2005, primarily funded by the City's taxing power. Police absorbed \$1,185,029 in taxes to citizens and other general revenues. Other governmental activities with significant tax-based funding include general and administration. It should be noted that expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets for both 2005 and 2004. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending balances of \$1,421,394. Of this year-end total, approximately \$1,243,262 is unreserved indicating availability for continuing City service requirements. Reserved fund balances include: \$129,968 committed to prepaid expenses and \$48,164 committed to street maintenance.

The total ending fund balances of governmental funds show an increase of \$195,382 over the prior year.

Major governmental funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. The fund balance of the General Fund increased by \$92,430. Key factors contributing to this increase included the continued increase in taxes. Cost control efforts contained expenditures to levels reflected in the financial statements.

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Major Proprietary Funds

Water and Sewer Utilities Fund shares the financing and operations of the City's water and sewer utilities reported within this activity in the government-wide statements. Cost recovery efforts and the initiation of utility rate increases in September 2004 as discussed in the City-wide financial analysis primarily contributed to the \$5,495,207 increase in net assets reported in this major fund.

General Fund Budgetary Highlights

The adopted General Fund budget for fiscal year 2005 was approximately 2.6 million. This was an increase of \$200,000 over the previous year budget.

The General Fund budget complied with financial policies approved by the City Council and maintained core City services.

Capital Asset and Debt Administration (dollars are in thousands)

Capital assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2005, was \$1,898,017 and \$28,311,692, respectively. The total increase in this net investment was 36.5% for governmental and 54.1% for business-type activities. The overall increase was 24.8% for the City as a whole. Major capital asset additions during the current fiscal year included construction of the waste water treatment plant. In conjunction with this project, financing was obtained through the Kentucky Infrastructure Authority. Purchase of the new city hall building and Alton area sewer improvements also contributed significantly to changes in the City's investment in capital assets. See Note 4 for additional information about changes in capital assets during the fiscal year and construction commitments outstanding at the end of the year.

	Capital Assets Net of Accumulated Depreciation (dollars are in thousands)						% Change
	Governmental Activities		Business-type Activities		Totals		
	2005	2004	2005	2004	2005	2004	
Non-Depreciable Assets:							
Land	\$ 113,500	\$ 113,500	\$ 94,570	\$ 94,570	\$ 208,070	\$ 208,070	0.0%
Construction in progress			5,507,008	809,241	5,507,008	809,241	580.5%
Depreciable Assets:							
Buildings	1,262,718	768,607	860,803	916,536	2,123,521	1,685,143	26.0%
Infrastructure/improvements	191,851	195,975	21,450,306	20,614,497	21,642,157	20,810,472	4.0%
Furniture, machinery, equipment	329,948	312,235	399,005	381,541	728,953	693,776	5.1%
Total revenues	\$ 1,898,017	\$ 1,390,317	\$ 28,311,692	\$ 22,816,385	\$ 30,209,709	\$ 24,206,702	24.8%

Long-term debt

At the end of the fiscal year, the City had total bonded debt outstanding of \$20,045,930. This amount is supported by pledged revenues generated primarily by the business-type activities of the City (revenue bonds). During the current year, the City issued \$3.7 million in revenue debt with the Kentucky Infrastructure Authority to fund the waste water treatment plant. See Note V for additional discussion.

Bond Ratings

Bond ratings are disclosed on the face of the final official statements for the bonds. Bond ratings have not changed since issuance.

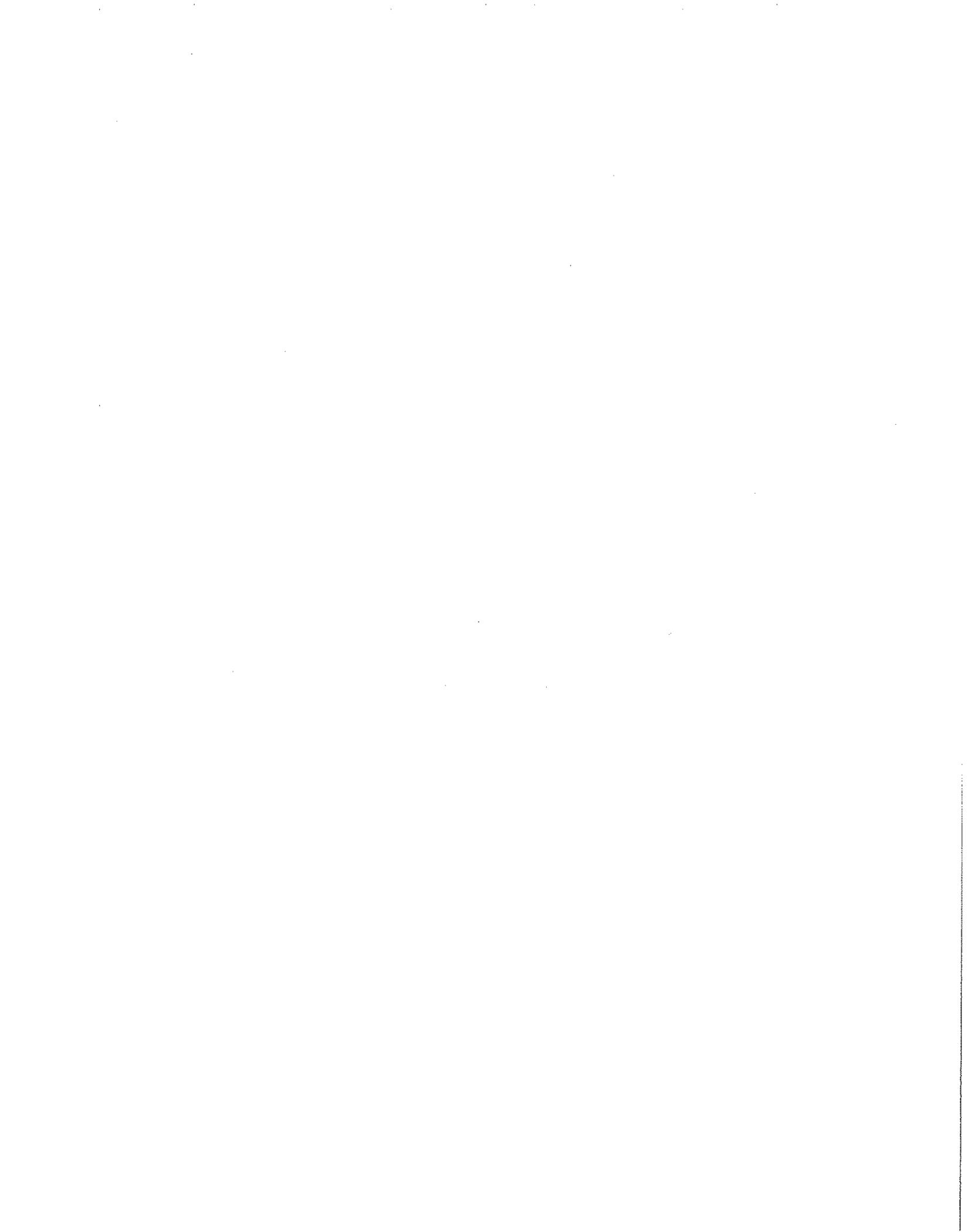
	Outstanding Bonds (dollars are in thousands)				% Change
	Governmental Activities		Business-type Activities		
	2005	2004	2005	2004	
KIA Notes	\$	\$	\$ 3,693,930	\$ 35,568	10285.5%
Revenue bonds			16,352,000	16,592,000	-1.4%
Total	<u>\$</u>	<u>\$</u>	<u>\$ 20,045,930</u>	<u>\$ 16,627,568</u>	20.6%

Water Utilities Rate Increases

On September 4, 2004, the City adjusted water and wastewater rates across the board in conjunction with the adopted financial plan. Also in 2005, the City authorized an additional 3.26% cost of living adjustment to these rates. To provide adequate revenues to meet anticipated expenditures for operations debt service, and capital improvements as forecast for future fiscal years, the City and the City Council approved cost of living adjustments annually.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to a general overview of the City's finances, compliance with finance-related laws and regulations, demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional financial information, contact the City's Finance Department at City of Lawrenceburg, P.O. Box 290, 100 North Main Street, Lawrenceburg KY 40342.



CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2005

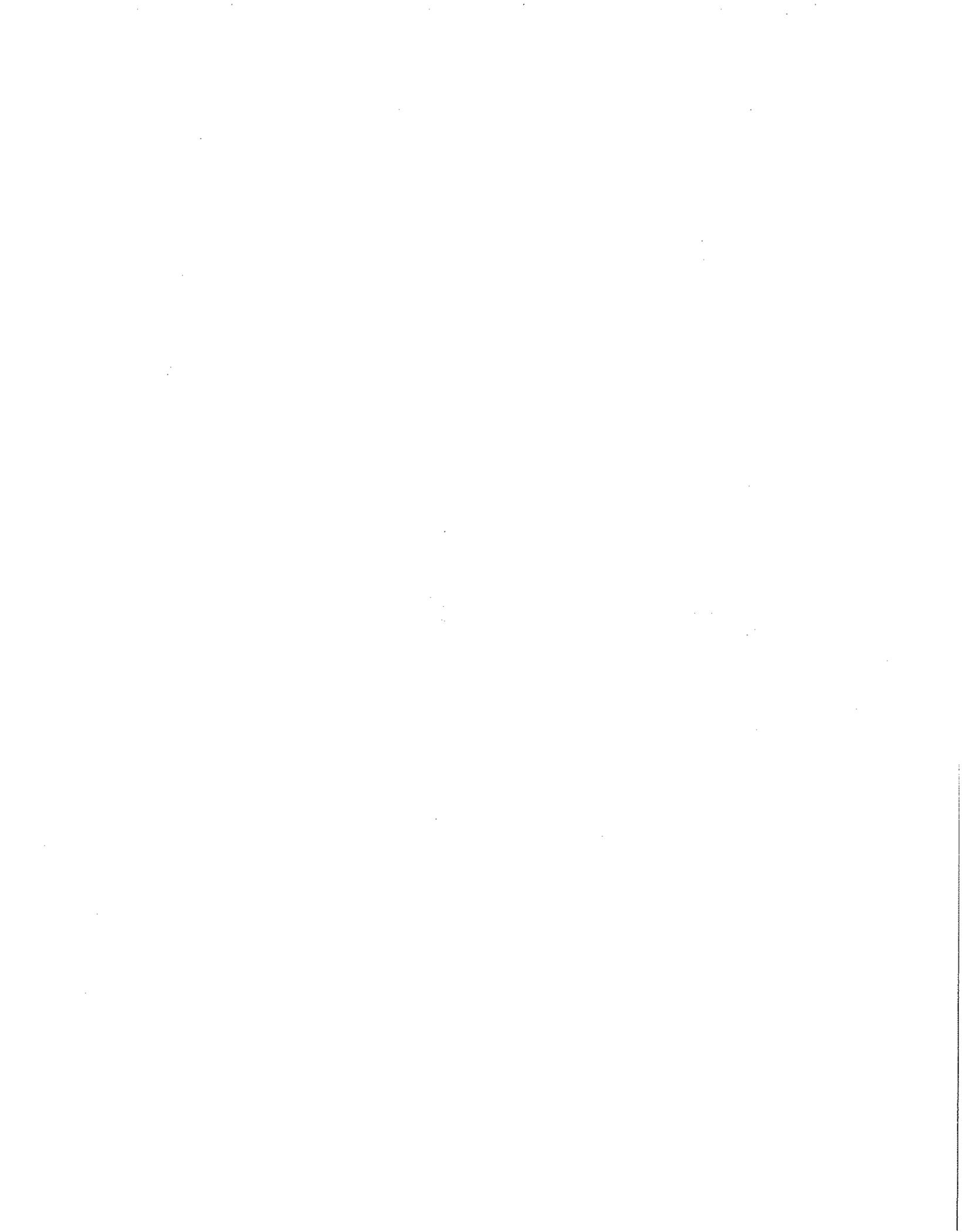
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets:			
Cash	\$ 1,094,190	\$ 1,571,647	\$ 2,665,837
Investments		868,856	868,856
Accounts receivable, net	215,278	508,854	724,132
Due from other fund		1,242	1,242
Interest receivable		12,543	12,543
Notes receivable, current	3,000		3,000
Prepays	129,968	100,204	230,172
Restricted cash and cash equivalents		2,255,808	2,255,808
Restricted investments		820,341	820,341
Total current assets	<u>1,442,436</u>	<u>6,139,495</u>	<u>7,581,931</u>
Non-Current assets:			
Notes receivable	46,250		46,250
Deferred debt expense, net		246,629	246,629
Capital assets:			
Land and construction in progress	113,500	5,601,578	5,715,078
Other capital assets, net of accumulated depreciation	1,784,517	22,710,114	24,494,631
Total non-current assets	<u>1,944,267</u>	<u>28,558,321</u>	<u>30,502,588</u>
Total assets	<u>\$ 3,386,703</u>	<u>\$ 34,697,816</u>	<u>\$ 38,084,519</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	\$ 34,722	\$ 64,563	\$ 99,285
Accrued liabilities	29,536	42,795	72,331
Due to other fund	3,034		3,034
Payable from restricted assets:			
Accounts payable		889,520	889,520
Retainage payable		462,498	462,498
Interest payable		155,742	155,742
Notes and revenue bonds payable, current		396,656	396,656
Deposits		126,767	126,767
Capital lease obligation	71,150	38,405	109,555
Total current liabilities	<u>138,442</u>	<u>2,176,946</u>	<u>2,315,388</u>
Non-current liabilities:			
Compensated absences, non-current	50,869	64,472	115,341
Capital lease obligation, non-current	702,851	379,298	1,082,149
Notes and revenue bonds payable		19,649,274	19,649,274
Total non-current liabilities	<u>753,720</u>	<u>20,093,044</u>	<u>20,846,764</u>
Total Liabilities	<u>\$ 892,162</u>	<u>\$ 22,269,990</u>	<u>\$ 23,162,152</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	1,010,516	6,534,446	7,544,962
Restricted for:			
Debt service		1,035,983	1,035,983
Capital projects		8,983	8,983
Street maintenance	48,164		48,164
Unrestricted	1,435,861	4,848,414	6,284,275
Total net assets	<u>\$ 2,494,541</u>	<u>\$ 12,427,826</u>	<u>\$ 14,922,367</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 484,206	\$ 350	\$ 10,624	\$	\$ (473,232)	\$	\$ (473,232)
Street	576,058		201,223		(274,835)		(274,835)
Fire	109,495			100,477	(9,018)		(9,018)
Police	1,250,507	1,165	61,913	2,400	(1,185,029)		(1,185,029)
EMS	5,727		3,000		(2,727)		(2,727)
Cemetery	131,948	108,388			(23,560)		(23,560)
Interest and fiscal charges	17,162				(17,162)		(17,162)
Total Governmental Activities	<u>2,575,103</u>	<u>109,903</u>	<u>276,760</u>	<u>102,877</u>	<u>(1,985,563)</u>		<u>(1,985,563)</u>
Business-type Activities:							
Water and sewer utilities	3,816,892	4,065,517		1,019,851		1,268,476	1,268,476
Total Business-Type Activities	<u>3,816,892</u>	<u>4,065,517</u>		<u>1,019,851</u>		<u>1,268,476</u>	<u>1,268,476</u>
Total Primary Government	<u>\$ 6,391,995</u>	<u>\$ 4,175,420</u>	<u>\$ 276,760</u>	<u>\$ 1,122,728</u>	<u>\$ (1,985,563)</u>	<u>\$ 1,268,476</u>	<u>\$ (717,087)</u>
					1,703,718		1,703,718
					173,040		173,040
					203,227		203,227
					5,552	68,618	74,170
					22,745		22,745
					579		579
					(595)		(595)
					31,217		31,217
					2,139,483	68,618	2,208,101
					153,920	1,337,094	1,491,014
					2,340,621	11,090,732	13,431,353
					\$ 2,494,541	\$ 12,427,826	\$ 14,922,367

See accompanying notes to the financial statements.



**CITY OF LAWRENCEBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,045,069	\$ 49,121	\$ 1,094,190
Taxes receivable	208,379		208,379
Accounts receivable	6,899		6,899
Notes receivable	49,250		49,250
Prepaid expenditures	129,968		129,968
Total Assets	<u>\$ 1,439,565</u>	<u>\$ 49,121</u>	<u>\$ 1,488,686</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 33,822	\$ 900	\$ 34,722
Accrued liabilities	29,536		29,536
Due to other funds	3,034		3,034
Total Liabilities	<u>\$ 66,392</u>	<u>\$ 900</u>	<u>\$ 67,292</u>
Fund Balances			
Reserved for prepaids	129,968		129,968
Reserved for street maintenance		48,164	48,164
Unreserved, reported in:			
General Fund	1,243,205		1,243,205
Special revenue funds		57	57
Total Fund Balances	<u>\$ 1,373,173</u>	<u>\$ 48,221</u>	<u>\$ 1,421,394</u>
Total Liabilities and Fund Balances	<u>\$ 1,439,565</u>	<u>\$ 49,121</u>	<u>\$ 1,488,686</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Amounts reported for governmental activities in the statement of net assets
are different because:

Total fund balance total governmental funds	\$ 1,421,394
Capital assets of \$2,701,967 net of accumulated depreciation (\$803,950) are not financial resources and, therefore, are not reported in the funds. See note 4 for additional detail.	1,898,017
Long-term liabilities, including capital leases and compensated absences, are not due and payable in the current period and are not reported in the funds.	(824,870)
Net assets of governmental activities	<u>\$ 2,494,541</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	General	Other Nonmajor Funds	Total Governmental Funds
<u>REVENUES</u>			
Property taxes	\$ 880,937	\$	\$ 880,937
Licenses and permits	173,040		173,040
Franchise taxes (fees)	203,227		203,227
Fines and forfeitures	432		432
Rental income	30,785		30,785
Charges for services	900		900
Investment income	5,348	204	5,552
Other taxes	822,781		822,781
Cemetery	108,388		108,388
Contributions	10,624		10,624
Intergovernmental programs	188,135	203,623	391,758
Other	615		615
Total Revenues	2,425,212	203,827	2,629,039
<u>EXPENDITURES</u>			
Current-			
General government	980,859		980,859
Street	251,546	198,475	450,021
Fire	161,562		161,562
Police	1,231,386	2,400	1,233,786
EMS	5,727		5,727
Cemetery	130,846		130,846
Debt service-			
Principal retirement	54,749		54,749
Interest	17,162		17,162
Total Expenditures	2,833,837	200,875	3,034,712
Excess (deficiency) of revenues over (under) expenditures	(408,625)	2,952	(405,673)
<u>OTHER FINANCING SOURCES (USES)</u>			
Capital financing	600,000		600,000
Sale of assets	1,650		1,650
Transfers from other funds	8,702		8,702
Transfers to other funds	(9,297)		(9,297)
Net Other Financing Sources (Uses)	601,055		601,055
Net Change in Fund Balances	192,430	2,952	195,382
Fund Balances, beginning	1,180,743	45,269	1,226,012
Fund Balances, ending	\$ 1,373,173	\$ 48,221	\$ 1,421,394

See accompanying notes to financial statements.

**CITY OF LAWRENCEBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Amounts reported for governmental activities in the statement of activities
are different because:

Net change in fund balances-total governmental funds	\$	195,382
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$655,681 exceeded depreciation of \$146,910 in the current period.		508,771
In the statement of activities, the gain on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increases financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold, net of accumulated depreciation.		(1,071)
The proceeds of debt (issuances) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds of \$600,000 exceeded repayments of \$54,749.		(545,251)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. This is the net increase in compensated absences.		(3,911)
Change in net assets of governmental activities	<u>\$</u>	<u>153,920</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2005

		Water and Sewer
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$	1,571,647
Investments		868,856
Accounts receivable, net		508,854
Due from other fund		1,242
Accrued interest receivable		12,543
Prepays		100,204
Restricted assets:		
Cash and cash equivalents		2,255,808
Investments		820,341
Total restricted assets		3,076,149
Total current assets		6,139,495
Deferred debt expense, net		246,629
Capital assets:		
Land and construction in progress		5,601,578
Other capital asset, net of accumulated depreciation		22,710,114
Total non-current assets		28,558,321
Total assets		34,697,816

	<u>Water and Sewer</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts payable	\$ 64,563
Accrued liabilities	42,795
Capital lease obligation, current	38,405
	<u>145,763</u>
Current Liabilities Payable From Restricted Assets:	
Accounts payable	889,520
Retainage	462,498
Interest payable	155,742
Notes and revenue bonds payable, current	396,656
Deposits	126,767
	<u>2,031,183</u>
Total current liabilities	<u>2,176,946</u>
Noncurrent Liabilities	
Compensated absences, non-current	64,472
Lease obligations payable, non-current	379,298
Notes and revenue bonds payable, non-current	19,649,274
Total Noncurrent Liabilities	<u>20,093,044</u>
Total Liabilities	<u>22,269,990</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	6,534,446
Restricted for debt service	1,035,983
Restricted for capital projects	8,983
Unrestricted	4,848,414
Total net assets	<u>12,427,826</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-PROPRIETARY FUND
YEAR ENDED JUNE 30, 2005

	Enterprise
	Water and Sewer
<u>Operating Revenues</u>	
Charges for services	\$ 3,635,202
Other	430,315
Total Operating Revenues	\$ 4,065,517
 <u>Operating Expenses</u>	
Personnel services	\$ 1,136,844
Materials and supplies	411,247
Maintenance	255,142
Transportation and training	35,410
Utilities	274,157
Insurance	100,012
Rent	18,150
Legal and professional	57,739
Depreciation	768,629
Other	12,261
River Authority Fee	7,163
Total Operating Expenses	\$ 3,076,754
 Operating Income	 \$ 988,763
 <u>Nonoperating Revenues (Expenses)</u>	
Intergovernmental revenues	1,019,851
Investment income	68,618
Interest expense and fiscal charges	(740,138)
Total Nonoperating Revenue	\$ 348,331
 Change in Net Assets	 1,337,094
 Total Net Assets, beginning	 11,090,732
 Total Net Assets, ending	 \$ 12,427,826

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF CASH FLOWS-PROPRIETARY FUND
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
FOR THE YEAR ENDED JUNE 30, 2005

Cash flows from operating activities:

Cash received from customers	\$	4,039,102
Cash payments to suppliers for goods and services		(1,159,613)
Cash payments to employees and professional contractors for services		(1,184,679)
Net cash provided by operating activities		1,694,810

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets		(5,001,247)
Principal paid on bonds, notes, and lease obligations		(283,187)
Interest paid on bonds, notes, and lease obligations		(636,046)
Customer deposits		15,710
Capital grants received		1,019,851
Proceeds from issuance of long-term debt		3,663,556
Net cash used by capital and related financing activities		(1,221,363)

Cash flows from investing activities:

Investment income		67,334
Purchase of investments		(16,574)
Net cash provided by investing activities		50,760

Net increase in cash and cash equivalents 524,207

Cash and cash equivalents at July 1, 2004	3,303,248
Cash and cash equivalents at June 30, 2005	\$ 3,827,455

Reconciliation of operating income to net cash provided by operating activities:

Operating Income	\$	988,763
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		768,629
Changes in assets and liabilities:		
(Increase) in accounts receivable		(26,415)
(Increase) in due from other funds		(1,242)
Decrease in prepaids		2,354
(Decrease) in accounts payable		(47,183)
Increase in accrued liabilities		8,237
Increase in compensated absences		1,667
Total adjustments		706,047
Net Cash Provided By Operating Activities	\$	1,694,810

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

		Cemetery Trust Funds
ASSETS		
Due from general fund	\$	1,792
Interest and dividends receivable		802
Investments, at fair value:		
Domestic common stock		13,247
Passive domestic stock funds		116,838
Government securities/fixed income		75,367
Passive bond funds		79,455
Treasury money market fund		19,516
Total Assets		307,017
 NET ASSETS		
Held in trust for cemetery maintenance	\$	307,017

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2005

ADDITIONS:

Transfers from general fund	\$	9,297
Investment Income:		
Net Appreciation in Fair Value of Investments		10,485
Interest		3,232
Dividends		6,892
Total Additions	\$	<u>29,906</u>

DEDUCTIONS:

Capital losses	\$	129
Transfers to general fund		8,702
Administrative expenses		2,537
Total Deductions	\$	<u>11,368</u>

Change in Net Assets	\$	18,538
Net Assets Held in Trust for Cemetery Maintenance:		
Beginning of Year		288,479
End of Year	\$	<u>307,017</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

I.A. INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Lawrenceburg (City) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2005. The City implemented new reporting standards for deposit and investment disclosure and economic condition reporting.

I.B. FINANCIAL REPORTING ENTITY-BASIS OF PRESENTATION

I.B. 1. COMPONENT UNITS

Lawrenceburg is a city in which citizens elect the mayor and six council members at large. The accompanying financial statements present the City's primary government. Potential component units are ones over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Currently, there are no potential component units.

I.B. 2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole excluding fiduciary activities such as cemetery trusts. The primary government is presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitations of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

I.B. 3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements. *Investments, non-current* report assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

I.B. 4. FUND TYPES AND MAJOR FUNDS

Governmental Funds

General Fund-reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds

The City reports the following major enterprise fund:

Water and Sewer Utilities Fund-accounts for the operating activities of the City's water and sewer utilities services.

Other Fund Types

The City also reports the following fund type:

Cemetery Trust Fund- report fiduciary resources held in trust and the receipt, investment, and distribution of cemetery maintenance funds.

I.C. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

I.C.1. CASH AND INVESTMENTS

The City Council adopted formal deposit and investment policies. These policies apply to all City funds not contained in trusts. These trusts are managed independently by Farmers Bank and Capital Trust Company.

In prior years, the City considered highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. To better support the new investment disclosure implemented this year, the City changed this definition. Only cash is classified as cash equivalents in order to appropriately report investment activity.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

I.C.2. PREPAIDS

Prepays record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepays are similarly reported in government-wide and fund financial statements.

I.C.3. CAPITAL ASSETS, DEPRECIATION, AND AMORTIZATION

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10-50
Infrastructure and improvements other than buildings	20-45
Mobile equipment, furniture, machinery, and equipment	5-15

I.C.4. CAPITALIZED INTEREST

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized.

I.C.5. LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND DISCOUNTS/PREMIUMS

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

I.C.6. FUND EQUITY

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

I.D. REVENUES, EXPENDITURES, AND EXPENSES

I.D.1. COMPENSATED ABSENCES

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Sick leave accrues to full-time, permanent employees to specified maximums. Generally, after one year of service, employees are entitled to all accrued vacation leave upon termination. The estimated liabilities include required salary-related payments. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

II.B. BUDGETARY INFORMATION

II.B.1. BUDGET POLICY AND PRACTICE

The mayor submits an annual budget to the City Council in accordance with City ordinances and the Kentucky Revised Statutes. The budget is presented to the City Council for review, and two readings are held to address priorities and the allocation of resources. In June, the City Council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

II.B.2. BASIS OF BUDGETING

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval. No revisions to the budget were made this year.

The budgets for the operating funds and proprietary fund operations are prepared on the cash and expenditures/encumbrances basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year that the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on these bases. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

III. DETAILED NOTES ON FUNDS AND COMPONENT UNITS

III. A. ASSETS

III. A. 1 DEPOSITS, INVESTMENTS, AND SECURITIES LENDING (*in thousands*)

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service. Collateral agreements must be approved prior to deposit of funds as provided by law.

Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institution's trust department or agent in the name of the City.

Investments

As of June 30, 2005, the City's reporting entity had the following investments:

	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Rates (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
<u>Types of Investments</u>				
Primary Government				
Certificates of Deposit	\$ 1,689,197	\$ 1,689,197	NA	283
	<u>\$ 1,689,197</u>	<u>\$ 1,689,197</u>		

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. NA indicates not applicable.

(2) **Interest Rate Risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

The composition of cemetery trust funds investments at fair value is shown on the following table.

	Beulah Collins Cemetery Fund	Cemetery Perpetual Care	Totals
Domestic common stock/fund	\$ 26,701	\$ 103,384	\$ 130,085
Corporate bonds		50,743	50,743
Government securities/fixed income		24,624	24,624
Bond funds	41,430	12,918	54,348
Treasury money market fund	26,250	18,373	44,623
Total investments	<u>\$ 94,381</u>	<u>\$ 210,042</u>	<u>\$ 304,423</u>

Investment Policies

City Policy

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Generally, the City's investing activities are managed under the custody of the City Treasurer. Investing is performed in accordance with investment policies adopted by the City Council complying with the State Statutes and the City ordinances. City funds may invested in: (1) obligations of the Government National Mortgage Association, Federal National Mortgage Association, or Federal Home Loan Mortgage Corporation, or any Federal farm credit bank, Federal land bank, or Federal home loan bank notes or bonds; (2) collateralized or insured certificates of deposit and other evidences of deposits at banks, savings bank, savings and loan associations, and credit unions located in the City when secured by appropriate collateral; (3) repurchase agreements that have underlying collateral of direct obligations or obligations of the United States government, its agencies and instrumentalities; (4) money market funds regulated by the Securities and Exchange Commission and which investments consist of the authorized investments (domestic securities) with restrictions as specified by state law; (5) Sate and Local Government Series (SLGS); and (6) City direct debt obligations for which an ad valorem tax may be levied or bonds issued by a public trust of which the City is a beneficiary and judgements rendered against the City by a court of record, provided it is a prudent investment.

Under the City policy, the City may not invest in reverse repurchase agreements, derivative instruments created from who value depends on, or is derived from, the value of one or more underlying assets or indices of asset values and/or has no call options prior to the City's desired maturity or is a variable rate instrument. Collateralization is further restricted to permitted investments shown previously as items (1) and (2).

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period or a single user. Unless matched to a specific cash flow, investments are not made in securities maturing more than five years from the date of purchase. **Concentration of Credit Risk** is the risk of loss attributed to the magnitude of the City's investments in a single issuer.

City policy also allows surplus cash, certificates of deposit, and repurchase agreements to be collateralized with securities with longer maturities if such maturity does not exceed ten years.

For investments, **custodial credit risk** is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities in the possession of an outside party. City policy provides that investment collateral is held by a third party custodian with whom the City has a current custodial agreement in the City's name or be held in the name of both parties by the Federal Reserve Bank servicing Kentucky.

Cemetery Trust Policy

The City's two cemetery trusts are the Beulah Collins Cemetery Fund and the Cemetery Perpetual Care Trust. Investments policies provide for investment manager(s) who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policies. Manager performance is reviewed by a consultant who provides

reports to the respective governing boards. Any changes in the investment management firm must be reported as they occur. Overall investment guidelines provide for diversification and allow investment in domestic and international common stocks, fixed income securities, cash equivalents, index funds, collective trust funds, and mutual fund. Both plans address **custodial credit risk** similarly with policy providing for the engagement of a custodian who accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, mature, or called items; and provides periodic accounting to the City. The cemetery trust holds \$130,085 in common stock or stock funds.

III. A. 2. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Enterprise Receivable and Uncollectible Accounts

Significant receivables include amounts due form customers primarily for utility services. These receivables are due within fifteen days. The enterprise fund reports accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. The allowance amount is estimated using accounting receivable past due more than 30 to 90 days. Related amounts are shown in the following table:

		<u>Enterprise Fund</u>
		<u>Water and Sewer</u>
Accounts receivable	\$	530,411
Less: allowance for uncollectible accounts		<u>(21,557)</u>
Net accounts receivable		<u>508,854</u>
Uncollectible amounts netted with revenues	\$	<u>21,557</u>

Property Taxes Receivable and Property Tax Calendar

Property taxes are collected and remitted to the City by property owners. Taxes levied annually on January are due by December 31. Major tax payments are received October through January.

In the governmental fund financial statements, the receivables represent delinquent taxes.

In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

Intergovernmental Revenues

Intergovernmental receivables are primarily comprised of amounts due from the Kentucky government (grants). Revenue is recorded as earned when eligibility requirements are met.

III. A. 3. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets (in thousands):

	<u>CAPITAL ASSETS, NOT DEPRECIATED</u>		<u>CAPITAL ASSETS, DEPRECIATED</u>			Totals
	Land	Construction in Progress	Buildings	Infrastructure and Improvements Other Than Buildings	Furniture, Machinery, and Equipment	
Primary Government						
<i>Governmental Activities</i>						
Balance, June 30, 2004	\$ 113,500		\$ 882,280	\$ 338,919	\$ 714,087	\$ 2,048,786
Increases			530,029	9,750	115,901	655,680
Decreases					(2,500)	(2,500)
Balance, June 30, 2005	<u>113,500</u>		<u>1,412,309</u>	<u>348,669</u>	<u>827,488</u>	<u>2,701,966</u>
<i>Accumulated Depreciation</i>						
Balance, June 30, 2004	\$	\$	\$ 170,225	\$ 86,392	\$ 401,852	\$ 658,469
Increases			31,670	16,272	98,967	146,909
Decreases					(1,429)	(1,429)
Balance, June 30, 2005			<u>201,895</u>	<u>102,664</u>	<u>499,390</u>	<u>803,949</u>
<i>Governmental Activities</i>						
Capital Assets, Net	<u>\$ 113,500</u>		<u>\$ 1,210,414</u>	<u>\$ 246,005</u>	<u>\$ 328,098</u>	<u>\$ 1,898,017</u>
<i>Business-type Activities</i>						
Balance, June 30, 2004	\$ 94,570	\$ 809,241	\$ 1,851,637	\$ 27,118,794	\$ 1,548,280	\$ 31,422,522
Increases		6,068,516	14,854	1,452,350	98,966	7,634,686
Decreases		(1,370,749)				(1,370,749)
Balance, June 30, 2005	<u>94,570</u>	<u>5,507,008</u>	<u>1,866,491</u>	<u>28,571,144</u>	<u>1,647,246</u>	<u>37,686,459</u>
<i>Accumulated Depreciation</i>						
Balance, June 30, 2004	\$	\$	\$ 935,101	\$ 6,504,297	\$ 1,166,739	\$ 8,606,137
Increases			21,441	664,525	82,664	768,630
Decreases						
Balance, June 30, 2005			<u>956,542</u>	<u>7,168,822</u>	<u>1,249,403</u>	<u>9,374,767</u>
<i>Business-type Activities</i>						
Capital Assets, Net	<u>\$ 94,570</u>	<u>\$ 5,507,008</u>	<u>\$ 909,949</u>	<u>\$ 21,402,322</u>	<u>\$ 397,843</u>	<u>\$ 28,311,692</u>
Primary Government						
Capital Assets, Net	<u>\$ 208,070</u>	<u>\$ 5,507,008</u>	<u>\$ 2,120,363</u>	<u>\$ 21,648,327</u>	<u>\$ 725,941</u>	<u>\$ 30,209,709</u>

Commitments

Active construction in progress is composed of the following (in thousands):

	Spent to June 30, 2005	Remaining Commitment
Primary Government		
<i>Business-type Activities:</i>		
Waste Water Treatment Plant	\$ 5,159,302	\$ 2,561,978
Utilities System Improvements	42,302	80,000
Elevated Water Tank	305,404	194,596

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows (in thousands):

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
General government	\$ 33,630	Water utilities	\$ 447,164
Street	40,756	Sold waste management	321,466
Police	37,960		
Fire	25,945		
Cemetery	8,618		

III. A. 4. RESTRICTED ASSETS AND RESTRICTED NET ASSETS

Certain proprietary fund assets are restricted for construction funded through long-term debt and customer deposits, and Federal grant revenues. Net assets restricted for debt service include the excess of assets over certain liabilities restricted for the debt service on revenue bonds. Cash is restricted for deposits in bank accounts legally restricted for specified uses such as the payment of currently maturing debt service and annual fiscal fees on long-term debt.

III. B. LIABILITIES

III. B.1 LEASE COMMITMENTS

Capital Leases

The City's outstanding lease agreements include the acquisition of City Hall at a cost of \$520,000 and Northwest Sewer Interceptor at a cost of \$470,578. These leases qualify as capital leases.

The debt service for capital leases are:

Year Ending June 30	Governmental Activities		Business-Type Activities	
	Capital Leases (1)			
	City-Wide		Water & Sewer Utilities	
	Principal	Interest	Principal	Interest
2006	\$ 71,150	\$ 36,370	\$ 38,405	\$ 18,453
2007	60,183	32,965	32,646	16,502
2008	42,374	30,251	33,030	15,041
2009	33,094	28,914	28,623	14,101
2010	23,565	27,708	25,000	13,043
2011-2015	108,635	119,807	135,000	47,119
2016-2020	110,000	93,128	124,999	12,808
2021-2005	130,000	62,849		
2026-2030	160,000	26,343		
2031-2035	35,000	161		
Totals	<u>\$ 774,001</u>	<u>\$ 458,496</u>	<u>\$ 417,703</u>	<u>\$ 137,067</u>

Range of interest rates	2.23%-5.75%	2.23%-5.6%
Cost of assets	887,884	559,928
Accumulated depreciation	141,346	78,737

(1) For capital leases, totals of principal and interest components equal required minimum payments for periods shown, and total principal equals the net present value of these leases.

III. B. 2. LONG-TERM DEBT

Revenue Bonds

Revenue bonds outstanding consist of debt issued for water and sewer construction projects. In general, revenues derived from them are pledged for the payment of revenue bond debt service. Debt is issued for the purposes of the fund responsible for payment as shown in the table on the following pages.

Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts. The general bond indenture and its supplements for water and wastewater bonds require the use of revenue, bond, operations and maintenance, reserve, construction, and renewal and replacement accounts. The reporting entity is in compliance with all significant requirements of the various bond covenants. The parity standards of the bond ordinances require net revenues to exceed 1.3 times the maximum annual debt service requirement. The net revenues equal 1.66 times the maximum annual principal and interest requirements for outstanding bonds for fiscal year 2005.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2005:

Description and purpose	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005	Due Within One Year
Primary Government					
<i>Governmental Activities</i>					
Compensated absences	\$ 46,958	21,400	15,491	52,867	1,998
Lease obligations payable	228,750	600,000	54,749	774,001	71,150
Total governmental activities	<u>275,708</u>	<u>621,400</u>	<u>70,240</u>	<u>826,868</u>	<u>73,148</u>
<i>Business-type Activities</i>					
Enterprise fund	16,592,000		240,000	16,352,000	
Revenue bonds			7,003		382,000
Compensated absences	62,805	10,547	5,194	66,349	1,877
KIA notes payable	35,568	3,663,556	37,993	3,693,930	14,656
Lease obligations payable	455,696			417,703	38,405
Total business-type activities	<u>17,146,069</u>	<u>3,674,103</u>	<u>290,190</u>	<u>20,529,982</u>	<u>436,938</u>
Total Primary Governmental Long-term Debt	<u>\$ 17,421,777</u>	<u>\$ 4,295,503</u>	<u>\$ 360,430</u>	<u>\$ 21,356,850</u>	<u>\$ 510,086</u>

KIA Note-Wastewater Treatment Plant

The Kentucky Infrastructure Authority has approved a loan for the new wastewater treatment plant in the amount of \$8,265,703. As of June 30, 2005, \$3,663,556 has been issued and is outstanding at year end. The City currently pays interest of 3% per annum twice yearly, but no payment schedule will be drawn up until the payment is complete. Upon completion, the loan will be repaid over a period of twenty years, twice yearly. Because of the uncertainty of the date and amount of future payments, this note has not been included in the following debt service repayment schedule.

Additional Debt Disclosure (dollars are in thousands)

Outstanding Bonds, Maturity Dates, and Interest Rates

Description and purpose	Amount of Original Issue	Range of Final Maturity Dates	Range of Interest Rates
Primary Government			
<i>Business-type Activities</i>			
Revenue Bonds:			
Water and Sewer Utilities	16,610,000	2006-2043	2.5%-5%

Debt Service Requirements to Maturity (1)

The annual debt service requirements to maturity for bonded debt as of June 30 are as follows:

Year Ending June 30	Business-Type Activities	
	Major Enterprise Fund	
	Revenue Bonds and KIA Notes	
	Water and Sewer	
	Principal	Interest
2006	\$ 396,656	\$ 704,363
2007	407,718	692,194
2008	402,000	679,620
2009	417,000	666,613
2010	302,000	654,016
2011-2015	1,739,000	3,069,004
2016-2020	2,200,000	2,649,480
2021-2005	2,704,000	2,096,467
2026-2030	2,924,000	1,384,150
2031-2035	1,524,000	909,431
2036-2040	1,946,000	531,781
2041-2045	1,420,000	95,375
Totals	<u>\$ 16,382,374</u>	<u>\$ 14,132,494</u>

(1) See Note III. B. 1 for debt service relating to leases.

III. B. 3. RISK MANAGEMENT-CLAIMS AND JUDGEMENTS

Description

Significant losses are covered by commercial insurance for all major programs. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

III. C. BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY

III. C. 1. RECEIVABLES AND PAYABLES

Generally, outstanding balances between funds reported as “due to/from other funds” including outstanding charges by one fund to another for services or goods, subsidy commitments outstanding at year-end, and other miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The following schedule reports receivables and payables within the reporting entity at fiscal year-end:

Due From Primary Government	Due To		
	Water and Sewer Utilities	Cemetery Trusts	Total Due From
<i>Governmental Activities:</i>			
General	\$ 1,242	\$ 1,792	\$ 3,034

IV. EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised State 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description-CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Contributions-For the year ended June 30, 2005, plan members were required to contribute 5% non-hazardous and 8.48% hazardous of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2005, participating employers contributed 8% non hazardous and 22.08% hazardous of each employee's creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City for the current year and the previous year is as follows:

<u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$238,326	100%
2004	\$199,366	100%

X. CONTINGENCIES

X. A. FEDERAL AND STATE GRANTS

In the normal course of operations, the City receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is believed to be material.



CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
YEAR ENDED JUNE 30, 2005

	Original and Final Budget	Total Actual	Variance
REVENUES			
Taxes:			
Property taxes	\$ 830,000	\$ 880,937	\$ 50,937
Insurance premium taxes	770,000	784,061	14,061
Bank deposit taxes	36,000	38,229	2,229
Alcoholic beverage taxes		491	491
Total taxes	<u>1,636,000</u>	<u>1,703,718</u>	<u>67,718</u>
Licenses, Permits, and Fees:			
Licenses	80,000	123,853	43,853
Permits	25,000	49,187	24,187
Franchise fees	180,000	203,227	23,227
Total licenses, permits, and fees	<u>285,000</u>	<u>376,267</u>	<u>91,267</u>
Fines and forfeitures	500	432	(68)
Investment income	2,000	5,348	3,348
Charges for services	1,500	900	(600)
Rental income	27,000	30,785	3,785
Cemetery	2,000	615	(1,385)
Contributions	104,500	108,388	3,888
Intergovernmental programs	1,600	10,624	9,024
Other	205,650	188,135	(17,515)
Total revenues before prior year fund balance	<u>2,265,750</u>	<u>2,425,212</u>	<u>159,462</u>
Prior year fund balance	300,000	1,180,743	880,743
Total revenues and prior year fund balance	<u>2,565,750</u>	<u>3,605,955</u>	<u>1,040,205</u>
EXPENDITURES AND ENCUMBRANCES			
General government:			
Personnel services	214,000	200,972	13,028
Other services and charges	244,850	235,290	9,560
Supplies	13,000	20,024	(7,024)
Capital outlay	20,000	531,396	(511,396)
Debt service		9,619	(9,619)
Total general government	<u>491,850</u>	<u>997,301</u>	<u>(505,451)</u>
Street:			
Personnel services	156,500	132,311	24,189
Other services and charges	107,500	96,983	10,517
Supplies	24,100	15,194	8,906
Capital outlay	20,000	7,058	12,942
Debt service	18,000	18,549	(549)
Total street	<u>326,100</u>	<u>270,095</u>	<u>56,005</u>
Fire:			
Personnel services	38,578	31,301	7,277
Other services and charges	19,300	15,965	3,335
Supplies	14,000	36,284	(22,284)
Capital outlay	112,000	78,012	33,988
Debt service	18,500	18,217	283
Total fire	<u>202,378</u>	<u>179,779</u>	<u>22,599</u>
Police:			
Personnel services	1,111,000	1,050,362	60,638
Other services and charges	129,100	123,308	5,792
Supplies	24,800	33,851	(9,051)
Capital outlay	50,000	23,865	26,135
Debt service	28,000	25,526	2,474
Total police	<u>1,342,900</u>	<u>1,256,912</u>	<u>85,988</u>
EMS:			
Personnel services	6,075	5,727	348
Other services and charges	1,200		1,200
Total EMS	<u>7,275</u>	<u>5,727</u>	<u>1,548</u>
Cemetery:			
Personnel services	113,800	113,352	448
Other services and charges	12,800	7,234	5,566
Supplies	5,600	2,960	2,640
Capital outlay	10,000	7,300	2,700
Total cemetery	<u>142,200</u>	<u>130,846</u>	<u>11,354</u>
Total Expenditures	<u>2,512,703</u>	<u>2,840,660</u>	<u>(327,957)</u>
Excess of revenues over expenditures and encumbrances	<u>53,047</u>	<u>765,295</u>	<u>712,248</u>
OTHER FINANCING SOURCES (USES)			
Transfers from cemetery trust fund	10,000	8,702	(1,298)
Transfers to cemetery trust fund	(12,000)	(9,297)	2,703
Capital financing		600,000	600,000
Sale of assets	3,000	1,650	(1,350)
Total other financing (uses)	<u>1,000</u>	<u>601,055</u>	<u>600,055</u>
Excess of revenues and other sources over expenditures, encumbrances and other uses			
	54,047	1,366,350	1,312,303
Fund balance, beginning	1,180,743	1,180,743	
Less budgeted fund balance (1)	(300,000)	(1,180,743)	(880,743)
Fund balance, ending	<u>\$ 934,790</u>	<u>\$ 1,366,350</u>	<u>\$ 431,560</u>

(1) The General Fund budget includes \$300,000 in fund balance. It is not a revenue of the current period, but is presented as revenue only for the budgetary reporting purposes. Beginning budgetary fund balance has been reduced for prior year fund balance to reflect the budgetary ending fund balance projected.

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

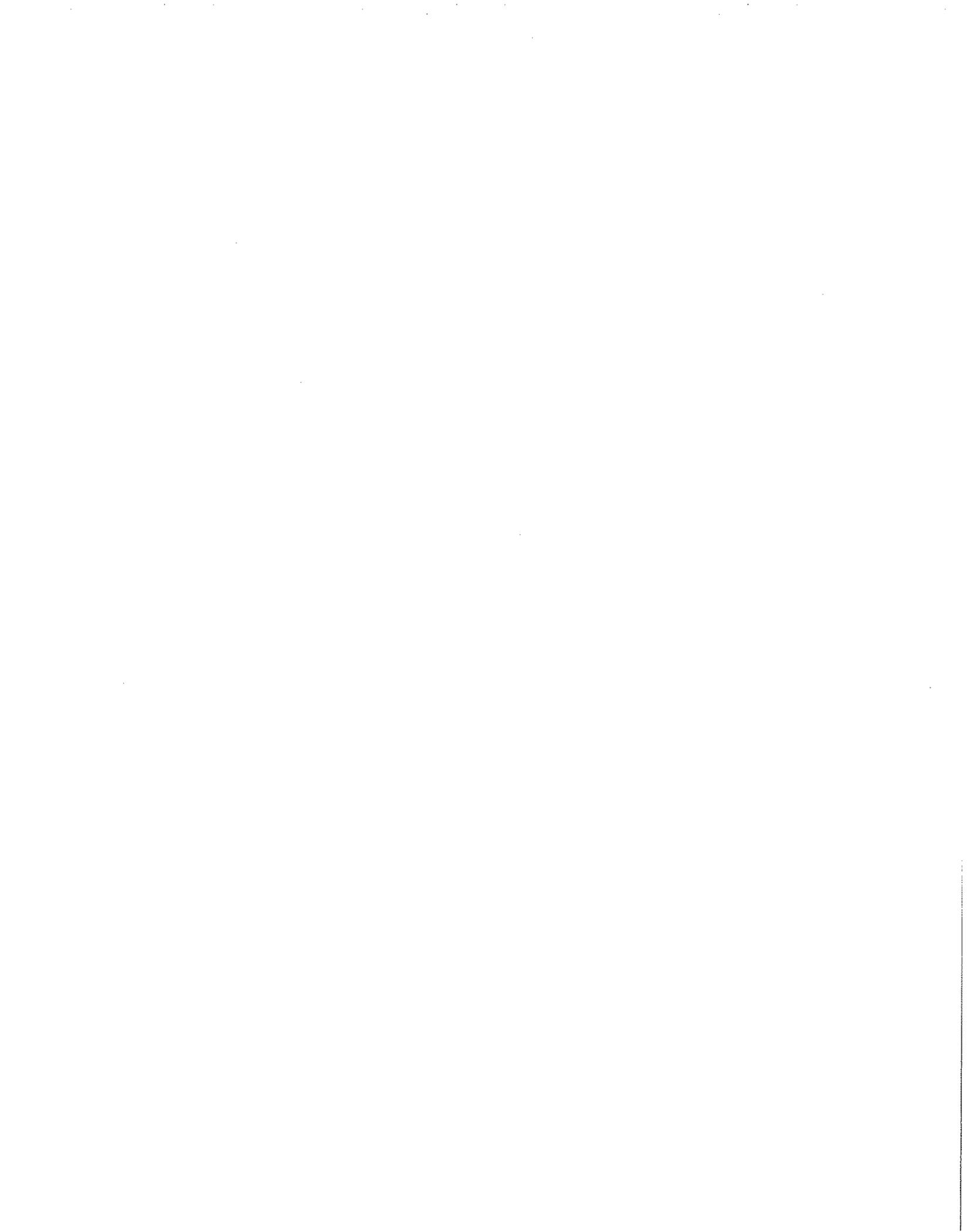
<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Water Management Program	66.468	XP96402204-0	55,759
Construction Grants for Wastewater Treatment Works	66.418	XP98493200	<u>964,092</u>
TOTAL U.S. DEPT OF ENVIRONMENTAL PROTECTION AGENCY			<u>1,019,851</u>
<u>HOMELAND SECURITY</u>			
Passed Through FEMA-Emergency:			
Preparedness and Response Directoratae	85.554	EMW-2003-FG-16116	<u>92,227</u>
TOTAL DEPT OF HOMELAND SECURITY			<u>92,227</u>
<u>U.S. DEPT OF JUSTICE</u>			
Passed Through Kentucky Department of Justice:			
Local Law Enforcement Block Grant Program	16.592	LLEB-592-04	<u>2,400</u>
TOTAL U.S. DEPT OF JUSTICE			<u>2,400</u>
TOTAL FEDERAL EXPENDITURES OF AWARDS			<u><u>1,114,478</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF LAWRENCEBURG, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005**

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Lawrenceburg, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**CITY OF LAWRENCEBURG, KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Lawrenceburg, Kentucky.
2. No reportable conditions were disclosed during the audit of the financial statements of City of Lawrenceburg, Kentucky.
3. No instances of noncompliance material to the financial statements of the City of Lawrenceburg, Kentucky were disclosed during the audit.
4. No reportable conditions in internal control over major federal award programs were disclosed during the audit of City of Lawrenceburg.
5. The auditor's report on compliance for the major federal award programs for City of Lawrenceburg, Kentucky expresses an unqualified opinion on all major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular I-133 were found.
7. The program tested as a major program included: APA Construction Grant for Wastewater Treatment Works CFDA 66.418.
8. The threshold for distinguishing Types A and B programs was \$500,000.
9. City of Lawrenceburg, Kentucky was determined to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

None.

FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

FARMER & HUMBLE
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 212
LAWRENCEBURG, KENTUCKY 40342
(502) 839-3588

Honorable Mayor and City Council
City of Lawrenceburg
100 North Main Street
Lawrenceburg, Kentucky 40342

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lawrenceburg, Kentucky as of and for the year ended June 30, 2005, which collectively comprise the City of Lawrenceburg, Kentucky's basic financial statements and have issued our report thereon dated September 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Lawrenceburg, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

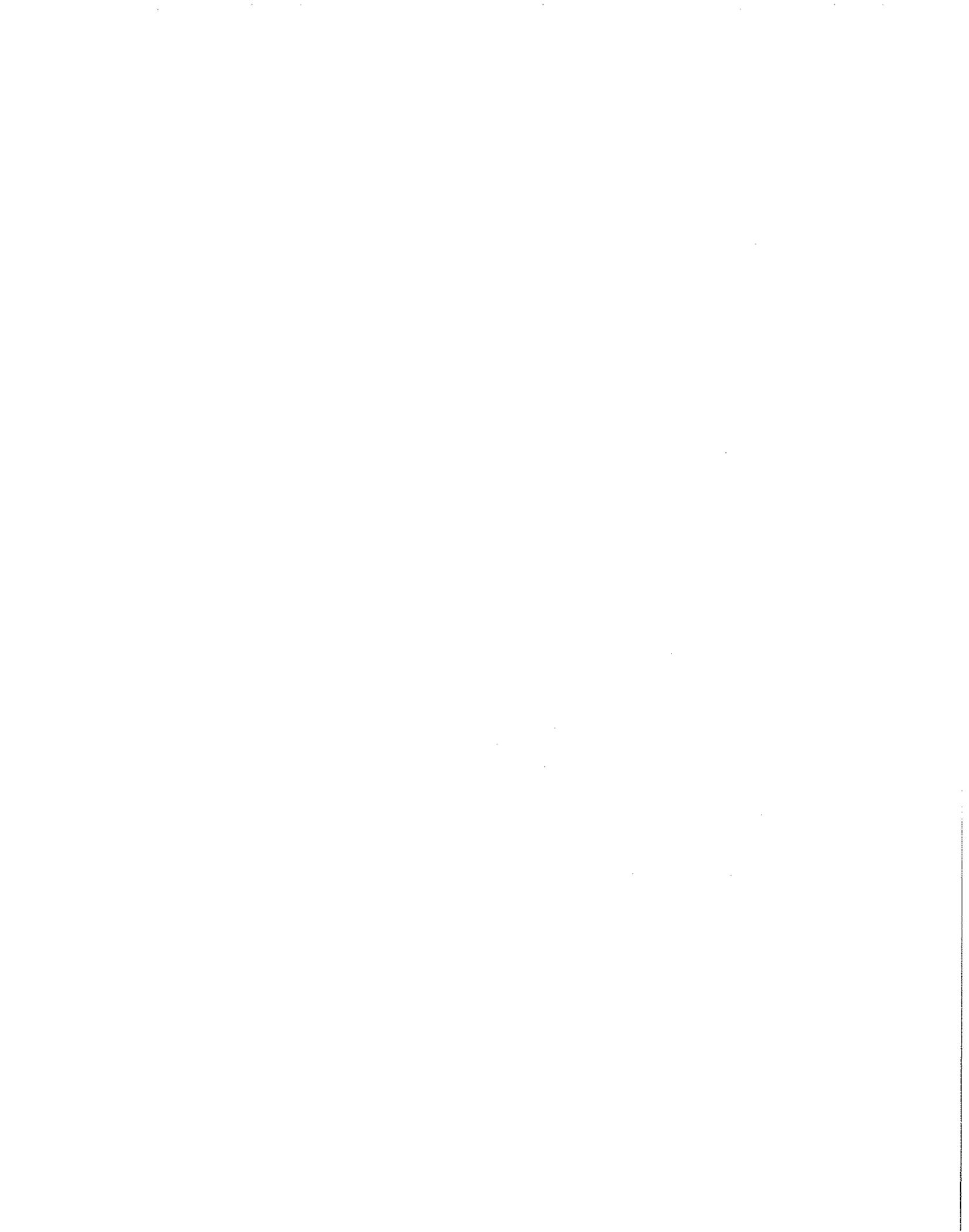
Compliance

As part of obtaining reasonable assurance about whether City of Lawrenceburg, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Farmer + Humble

Farmer & Humble
Certified Public Accountants
September 15, 2005



**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

F A R M E R & H U M B L E
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LAWRENCEBURG, KENTUCKY 40342
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Honorable Mayor and City Council
City of Lawrenceburg
100 North Main Street
Lawrenceburg, Kentucky 40342

Compliance

We have audited the compliance of City of Lawrenceburg, Kentucky with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. City of Lawrenceburg, Kentucky's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Lawrenceburg, Kentucky's management. Our responsibility is to express an opinion on City of Lawrenceburg, Kentucky 's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lawrenceburg, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Lawrenceburg, Kentucky 's compliance with those requirements.

In our opinion, City of Lawrenceburg, Kentucky, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

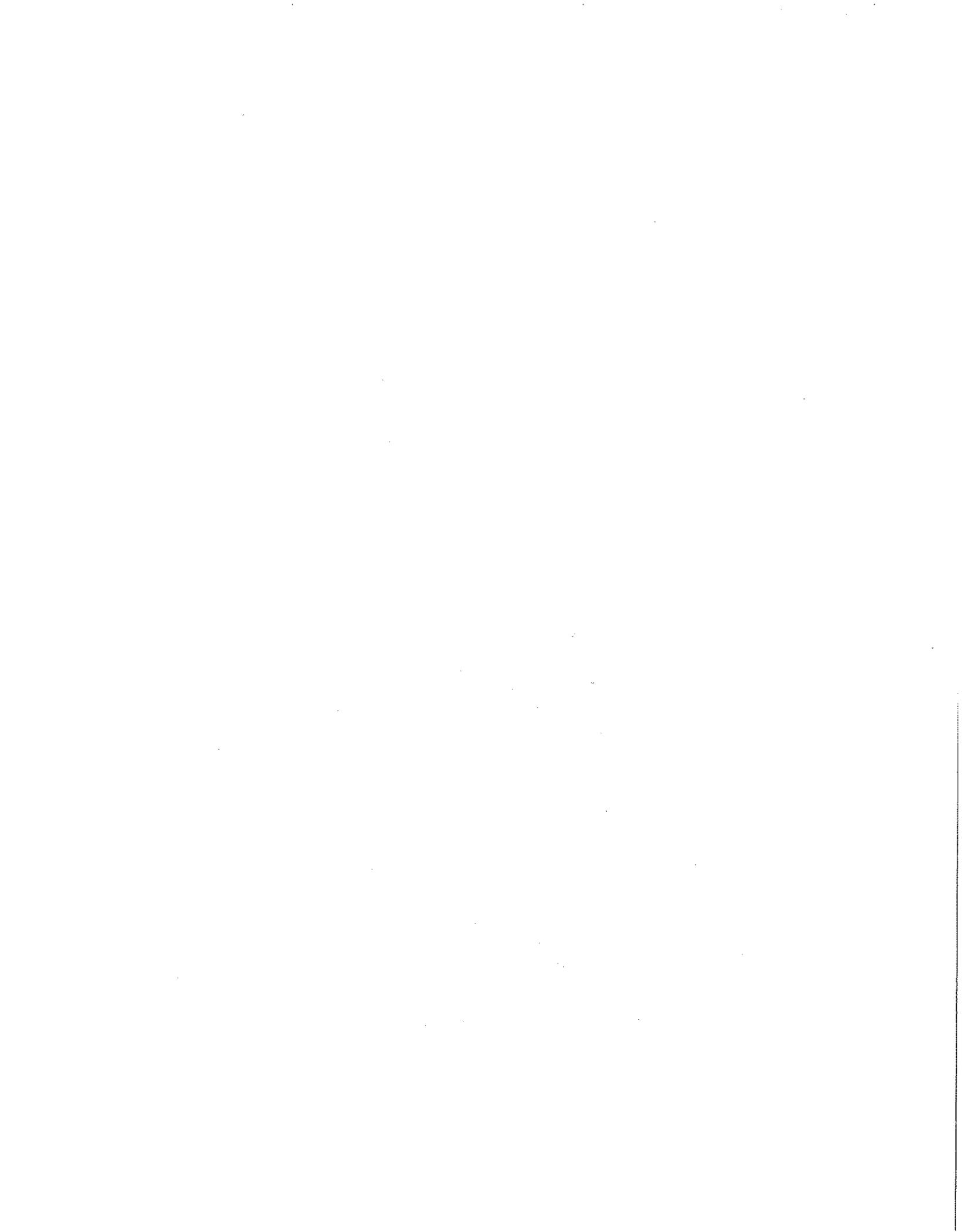
The management of City of Lawrenceburg, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Lawrenceburg, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, City Council, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

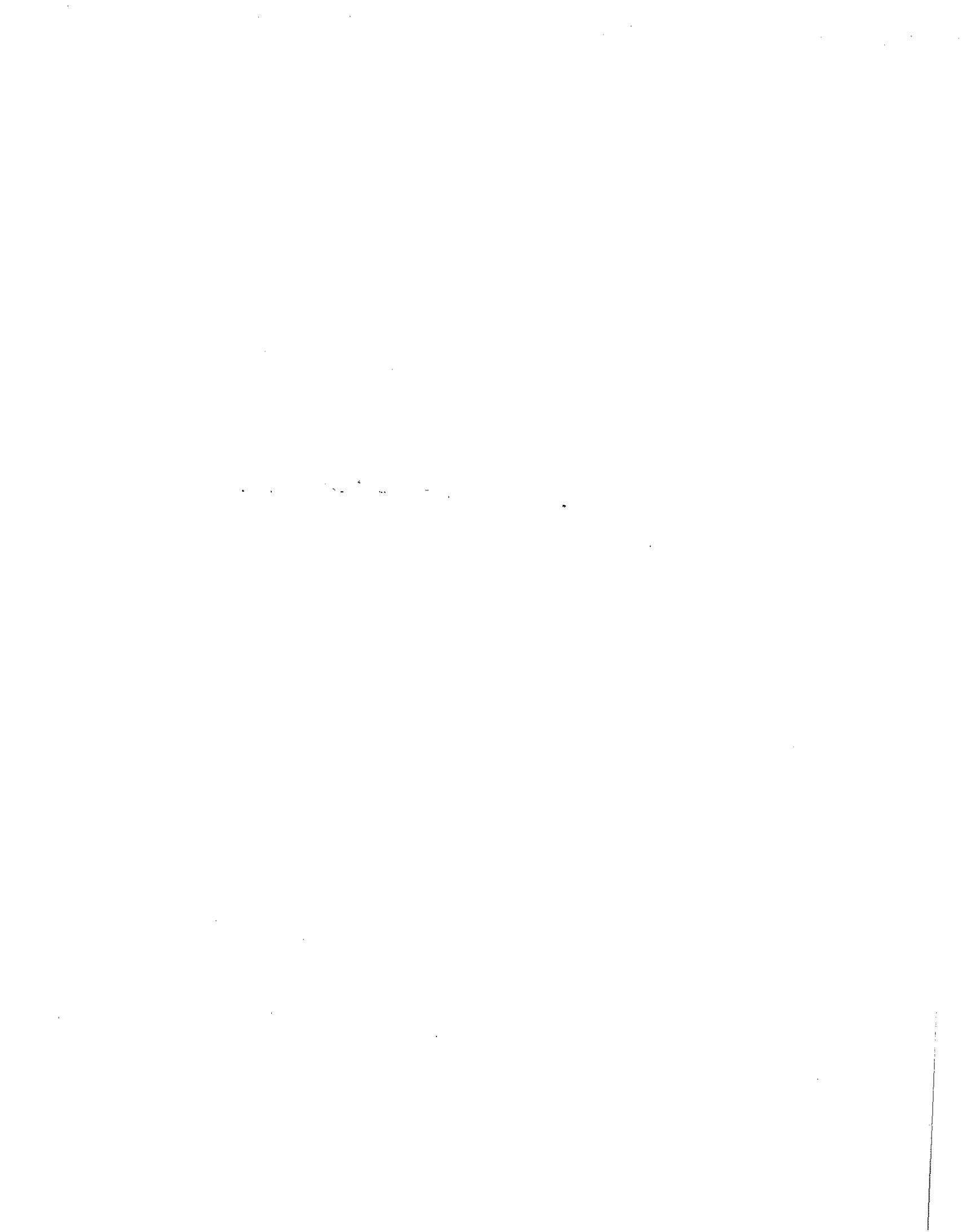
Farmer & Humble

Farmer & Humble
Certified Public Accountants
September 15, 2005



CITY OF LAWRENCEBURG, KENTUCKY
BASIC FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT
FISCAL YEAR ENDING JUNE 30, 2004

Case No. 2006-00067



**CITY OF LAWRENCEBURG
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2004**

	<u>PAGE</u>
Independent Auditor's Report.....	1-2
Management's Discussion and Analysis.....	3-8 <i>City did this</i>
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets.....	9
Statement of Activities.....	10
Fund Financial Statement:	
Balance Sheet-Governmental Funds.....	11
Reconciliation of the Statement of Net Assets of governmental Funds to the Balance Sheet.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Revenues.....	14
Statement of Net Assets-Proprietary Funds.....	15 <i>Profit MARKS</i>
Statement of Revenues, Expenses, and Changes in Net Assets- Proprietary Funds.....	16
Statement of Cash Flows-Proprietary Funds.....	17
Statement of Fiduciary Net Assets-Fiduciary Funds.....	18 <i>Comptroller</i>
Statement of Changes in Fiduciary Net Assts-Fiduciary Funds.....	19
Notes to the Basic Financial Statements.....	20-32
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-General Fund.....	33
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual-Municipal Aid Road Fund.....	34
Schedule of Expenditures of Federal Awards.....	35
Notes to the Schedule of Expenditures of Federal Awards.....	36
Schedule of Findings and Questioned Costs.....	37-38
Schedule of Prior Year Audit Findings.....	39
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	40
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133.....	41

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Lawrenceburg
205 East Woodford Street
Lawrenceburg, Kentucky 40342

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrenceburg, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lawrenceburg as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the City has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2004, on our consideration of City of Lawrenceburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lawrenceburg basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and additional information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements of City of Lawrenceburg. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Farmer & Humble

Farmer & Humble
Lawrenceburg, Kentucky
September 15, 2004

CITY OF LAWRENCEBURG, KENTUCKY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2004

The discussion and analysis of the City of Lawrenceburg's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended June 30, 2004. It should be read in conjunction with the accompanying basic financial statements. This discussion and analysis does not include comparative data for prior years, as this information is not available for the first year of implementation of Governmental Accounting Standards Board (GASB) Statement Number 34. Future years will include, when available, comparative analysis of government-wide data.

FINANCIAL HIGHLIGHTS

- The assets of the City of Lawrenceburg exceeded its liabilities at the close of the fiscal year ending June 30, 2004 by \$13,431,353 (net assets). Of this amount, \$5,351,431 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City of Lawrenceburg's total assets increased by \$1,174,236 for the year ended June 30, 2004. The increase in net assets can be attributed to increases in water and sewer rates.
- As of June 30, 2004, the City of Lawrenceburg's governmental funds reported combined ending fund balances of \$1,226,012, an increase of \$279,314 in comparison with the prior fiscal year.
- The total General Fund balance increased \$255,237 for the fiscal year ended June 30, 2004 and the Fund Balance designated for Municipal Aid Road Fund increased \$29,548 during the same period.
- The City's total debt increased by \$0.7 million during the current fiscal year. The City issued \$135,000 in capital leases, \$7.5 million in Revenue Utility Refunding Bonds, and \$8.778 million in Waterworks and Sewer System Revenue Bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Lawrenceburg's basic financial statements. The City of Lawrenceburg's basic financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Lawrenceburg's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Lawrenceburg's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Lawrenceburg is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other nonfinancial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Assets and the Statement of Activities, the City is divided into two kinds of activities:

- **Governmental Activities**-Most of the City's basic services are reported here, including the police, fire, planning and development, transportation, parks and recreation, and general administration. Property taxes and insurance premium taxes finance most of these activities.
- **Business Type Activities**-The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds-governmental and proprietary-utilize different accounting approaches.

- **Governmental funds**-The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund financial statements.

The City of Lawrenceburg maintains three individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Municipal Aid Road Fund and the COPS Grant Fund, of which the General Fund and Municipal Aid Road Fund are considered to be major funds.

- **Proprietary funds**-The City charges customers for the services it provides. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise fund (a component of proprietary funds) is identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
- The City of Lawrenceburg maintains one individual enterprise fund. The City uses enterprise funds to account for its water and sewer. The funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water and sewer, which is considered to be a major fund of the City.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, for its Cemetery Trusts. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning budgetary comparative information for the general fund.

THE CITY AS A WHOLE-Government-wide Financial Analysis

The City's combined net assets were \$13,431,353 as of June 30, 2004. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business type activities net assets are \$11,090,732. This analysis focuses on the net assets (table 1) and changes in general revenues (table 2) and significant expenses of the City's governmental and business-type activities.

The largest portion of the City's net assets (51.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Summary of Net Assets
At June 30, 2004

	Governmental Activities		Business-type Activities		Total Primary Government
Current and other assets	\$ 1,306,548	\$	5,933,634	\$	7,240,182
Capital assets	1,390,317		22,816,385		24,206,702
Total assets	<u>2,696,865</u>		<u>28,750,019</u>		<u>31,446,884</u>
Long term liabilities outstanding	134,438		796,071		930,509
Other liabilities	221,806		16,863,216		17,085,022
Total liabilities	<u>356,244</u>		<u>17,659,287</u>		<u>18,015,531</u>
Net assets:					
Invested in capital assets, net of related debt	1,161,567		5,733,121		6,894,688
Restricted	45,214		1,140,020		1,185,234
Unrestricted	1,133,840		4,217,591		5,351,431
Total net assets	<u>\$ 2,340,621</u>	\$	<u>11,090,732</u>	\$	<u>13,431,353</u>

Governmental Activities

The City's general revenues increased when compared to the prior year by 5.1 percent or \$116,496. The primary reason for this increase was due to a \$45,797 increase in intergovernmental revenue as a result of more additional municipal aid road funds and additional grants obtained. Fees also increased \$34,557 primarily because of higher revenue from building permits and increase in occupational licenses. Overall tax revenue increased \$30,011. Property tax revenue increased due to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the City increased by \$28.7 million or 7.3 percent as compared to the prior year while the City property tax rate of \$1.829 per \$100 assessed valuation decreased 1.1 percent.

**Table 2
General Revenues**

	2004	2003	Increase (Decrease)
Licenses and permits	\$ 136,183	\$ 101,626	\$ 34,557
Taxes	1,658,375	1,628,364	30,011
Utility franchise fees	187,842	185,815	2,027
Intergovernmental revenues	272,954	227,157	45,797
Other	155,362	151,258	4,104
Total general revenues	\$ 2,410,716	\$ 2,294,220	\$ 116,496

Governmental and Business type activities increased the City's net assets by \$1,174,236. The key elements of this increase are as follows:

**Table 3
Changes in Net Assets
(Amounts Expressed in Thousands)**

	Governmental Activities 2004	Business type Activities 2004	Total 2004
Revenues:			
Program revenues:			
Charges for services	\$ 126,082	\$ 3,653,452	\$ 3,779,534
Operating grants and contributions	195,876		195,876
Capital grants and contributions	33,771	364,179	397,950
General revenues:			
Taxes	1,658,375		1,658,375
Utility franchise fees	187,842		187,842
Other	266,415	95,485	361,900
Total Revenues	2,468,361	4,113,116	6,581,477
Expenses:			
General government	429,902		429,902
Street	389,367		389,367
Fire	82,909		82,909
Police	1,171,141		1,171,141
EMS	5,673		5,673
Cemetery	131,169		131,169
Interest and fiscal charges	11,360		11,360
Water and sewer		3,181,103	3,181,103
Total Expenses	2,221,521	3,181,103	5,402,624
Increase in net assets before transfers	246,840	932,013	1,178,853
Transfers	(4,617)		(4,617)
Increase in net assets	242,223	932,013	1,174,236
Net Assets, July 1	2,098,398	10,158,719	12,257,117
Net Assets, June 30	\$ 2,340,621	\$ 11,090,732	\$ 13,431,353

The most significant governmental expense for the City was in police, which incurred expenses of \$1,171,141. These expenses were offset by revenues collected from a variety of sources, with the largest being from intergovernmental revenues, which are \$53,843 for the fiscal year ending June 30, 2004. Police expense of \$974,684 was incurred for salary and benefits.

Business-type Activities

Revenues of the City's business-like activities were \$4,113,116 for the fiscal year ending June 30, 2004. Expenses for the City's business-type activities were \$3,181,103 for the year, resulting in net revenues of \$932,013. The net revenues are the result of several factors, including the following:

- The City's water and sewer system recorded charges for services of \$3,653,452. The water and sewer system charges for services of \$3,653,452 exceeded expenses of \$3,785,679 by \$867,773. The most significant expense of the water and sewer fund were \$642,177 to depreciation and \$1,123,567 in salaries and benefits.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2004, the City had \$24,206,702 invested in a broad range of capital assets, including police and fire equipment, buildings, roads, and water and sewer lines. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of \$4,002,470 or 20 percent over the prior fiscal year.

Table 4
Capital Assets and Yearend
(Net of Depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
Land	\$ 113,500	\$ 113,500	\$ 94,570	\$ 25,570	\$ 208,070	\$ 139,070
Buildings and improvements	768,607	791,913	916,536	954,472	1,685,143	1,746,385
Equipment	312,235	286,045	381,541	327,107	693,776	613,152
Construction in progress			809,241	5,284,802	809,241	5,284,802
Infrastructure	195,975	208,129			195,975	208,129
Water and sewer system			20,614,497	12,212,694	20,614,497	12,212,694
Totals	\$ 1,390,317	\$ 1,399,587	\$ 22,816,385	\$ 18,804,645	\$ 24,206,702	\$ 20,204,232

This year's major addition included:

Plant \$ 8,455,142

The City's fiscal year 2005 capital budget calls for it to spend \$9.2 million for capital projects, principally in water and sewer. The estimated expenditures for the wastewater treatment plant expansion are \$7.7 million. The 2005 Capital Budget is legally adopted and individual projects are subject to change.

Debt

At year-end, the City had \$16.6 million in Water and Sewer Revenue Bonds outstanding as compared to \$6.2 million at the end of the prior fiscal year, an increase of 168 percent as shown in table 5.

Table 5
Outstanding Debt
(Amounts Expressed In Thousands)

	Business-type	
	Activities	
	2004	2003
Revenue bonds	\$ 16,592,000	\$ 6,231,930

During the current fiscal year the City issued debt in October 2003 and again in April 2004. The new debt resulted primarily from the issuance of water and sewer revenue bonds during the current fiscal year in the amount of \$8.8 million for the new water plant. Additionally, the City issued \$7.5 million in water and sewer system revenue refunding bonds.

The City has maintained its AAA rating from Standard and Poor's Corporation. The City also has a Aa3 rating from Moody's Investor Service on its outstanding water and sewer revenue bonds.

THE CITY'S FUNDS

At the close of the City's fiscal year on June 30, 2004, the governmental funds of the City reported a combined fund balance of \$1,226,012. This ending balance includes an increase in fund balance of \$255,237 in the City's General Fund. The primary reason for the General Fund's increase is the increase in licenses, permits, and fees and increased intergovernmental revenue. Also, the City sold a building on Lincoln Street for \$56,000. In addition, these other changes in fund balances should be noted:

- The City's water and sewer fund net assets of \$11,090,752 million increased by \$932,013 over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by \$867,773.

General Fund Budgetary Highlights

During FY 2003-2004, there were no budget amendments for the General Fund.

For FY 2003-2004, actual expenditures on a budgetary basis were \$2,141,840 compared to the budget amount of \$2,368,299. The \$226,454 positive variance was due to decreased expenditures in the street and fire departments.

For FY 2003-2004, actual revenues on a budgetary basis were \$2,401,694 as compared to the budget amount of \$2,177,475. The majority of the \$224,219 positive variance was due to an increase in occupational license revenue and franchise fees and the sale of the Lincoln Street property.

The City of Lawrenceburg has an actual on a budgetary basis General Fund balance of \$1,180,743 as of the fiscal year end, compared to the budgeted fund balance of \$209,181. The variance in fund balance is primarily due to conservative budgeting and cost containment measures implemented by management.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the business-type activities. One of these factors is the economy. The National recession has not had significant impact on City revenues. The City's population is growing and the demand for City services is increasing. Additionally, the total growth of commercial development has not kept pace with population growth. These indicators were taken into account when adopting the General Fund budget for fiscal year 2005. The total 2004-2005 combined budget appropriation is \$2,524,703. This represents a slight increase of \$156,409 or 6.6 percent over the 2003-2004 budget.

The General Fund's largest single revenue source is insurance premium taxes. The insurance premium tax rate for FY 2005 is 6 percent. Insurance premium tax revenue for FY 2005 is budgeted at \$770,000. The General Fund's property tax revenue for FY 2005 is estimated to be \$730,000.

The largest revenue source for the water and sewer fund is water sales, estimated at \$1,080,000. The rate for FY 2005 is 5.125-2.90 per 1,000 gallons, and incorporates the cost of water treatment, distribution and maintenance costs. This rate is unchanged from last year. The second largest revenue source for the water and sewer fund is sewer charges, estimated at \$810,000 based on a FY 2005 rate of 2.8-2.49 per 1,000 gallons. This rate is also unchanged from the previous fiscal year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at the City of Lawrenceburg, 205 East Woodford Street, Lawrenceburg KY 40342.



CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash	\$ 914,212	\$ 2,017,120	\$ 2,931,332
Investments		1,206,623	1,206,623
Accounts receivable, net	214,224	482,439	696,663
Accrued interest receivable		11,259	11,259
Notes receivable, net	52,250		52,250
Prepays	125,862	102,558	228,420
Restricted cash and cash equivalents		1,286,128	1,286,128
Restricted investmetns		466,000	466,000
Unamortized debt issuance costs		361,507	361,507
Capital assets, net:			0
Nondepreciable	113,500	903,811	1,017,311
Depreciable	1,276,817	21,912,574	23,189,391
Total assets	\$ 2,696,865	\$ 28,750,019	\$ 31,446,884
 LIABILITIES			
Accounts payable	\$ 50,905	\$ 111,746	\$ 162,651
Accrued liabilities	23,708	34,558	58,266
Due to cemetery trust	5,923		5,923
Payable from restricted assets:			0
Accounts payable		83,878	83,878
Retainage payable		5,451	5,451
Accrued interest		166,528	166,528
Notes and revenue bonds payable, current		245,194	245,194
Deposits		111,057	111,057
Noncurrent liabilities:			0
Due within one year			0
Capital lease obligation	53,902	37,659	91,561
Due in more than one year			0
Accrued compensated absences	46,958	62,805	109,763
Capital lease obligation	174,848	418,037	592,885
Notes and revenue bonds		16,382,374	16,382,374
Total Liabilities	\$ 356,244	\$ 17,659,287	\$ 18,015,531
 NET ASSETS			
Investmented capital assets, net of related debt	1,161,567	5,733,121	6,894,688
Restricted for:			0
Debt service		599,233	599,233
Capital projects		540,787	540,787
Other purposes	45,214		45,214
Unrestricted	1,133,840	4,217,591	5,351,431
Total net assets	\$ 2,340,621	\$ 11,090,732	\$ 13,431,353

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental Activities:							
General government	\$ 429,902	\$ 700	\$	\$	\$ (429,202)	\$	\$ (429,202)
Street	389,367		139,033		(250,334)		(250,334)
Fire	82,909			33,771	(49,138)		(49,138)
Police	1,171,141	1,527	53,843		(1,115,771)		(1,115,771)
EMS	5,673		3,000		(2,673)		(2,673)
Cemetery	131,169	123,855			(7,314)		(7,314)
Interest and fiscal charges	11,360				(11,360)		(11,360)
Total Governmental Activities	2,221,521	126,082	195,876	33,771	(1,865,792)		(1,865,792)
Business-type Activities:							
Water and sewer	3,181,103	3,653,452		364,179		836,528	836,528
Total Business-Type Activities	3,181,103	3,653,452		364,179		836,528	836,528
Total Primary Government	\$ 5,402,624	\$ 3,779,534	\$ 195,876	\$ 397,950	\$ (1,865,792)	\$ 836,528	\$ (1,029,264)
	Taxes				1,658,375		1,658,375
	Licenses and permits				136,183		136,183
	Utility franchise fees				187,842		187,842
	Interest				2,153	95,485	97,638
	Grants and contributions not restricted to specific programs				48,639		48,639
	Gain on sale of capital assets				57,645		57,645
	Transfers				(4,617)		(4,617)
	Other				21,795		21,795
	Total general revenues				2,108,015	95,485	2,203,500
	Change in net assets				242,223	932,013	1,174,236
	Net assets beginning				2,098,398	10,158,719	12,257,117
	Net assets ending				\$ 2,340,621	\$ 11,090,732	\$ 13,431,353

See notes to the financial statements.



**CITY OF LAWRENCEBURG, KENTUCKY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2004**

	<u>General</u>	<u>Municipal Aid Road</u>	<u>COPS Grant</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 858,711	\$ 55,446	\$ 55	\$ 914,212
Receivables (net of allowance for uncollectibles)				
Taxes	198,577			198,577
Franchise fees	8,880			8,880
Intergovernmental	4,776			4,776
Other	1,991			1,991
Notes receivable	52,250			52,250
Prepaid expenditures	125,862			125,862
Total Assets	<u>\$ 1,251,047</u>	<u>\$ 55,446</u>	<u>\$ 55</u>	<u>\$ 1,306,548</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 64,381	\$ 10,232	\$	\$ 74,613
Due to other funds	5,923			5,923
Total Liabilities	<u>\$ 70,304</u>	<u>\$ 10,232</u>	<u>\$</u>	<u>\$ 80,536</u>
Fund Balances:				
Reserved for prepaids	125,862			125,862
Reserved for street maintenance		45,214		45,214
Unreserved:				
Undesignated, reported in General Fund	1,054,881			1,054,881
Special revenue funds			55	55
Total Fund Balances	<u>\$ 1,180,743</u>	<u>\$ 45,214</u>	<u>\$ 55</u>	<u>\$ 1,226,012</u>
Total Liabilities and Fund Balances	<u>\$ 1,251,047</u>	<u>\$ 55,446</u>	<u>\$ 55</u>	<u>\$ 1,306,548</u>

See accompanying notes to financial statements.

**CITY OF LAWRENCEBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF JUNE 30, 2004**

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balance per balance sheet	\$ 1,226,012
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,390,317
Long-term liabilities, including capital leases and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	(275,708)
Net assets of governmental activities	<u>\$ 2,340,621</u>

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

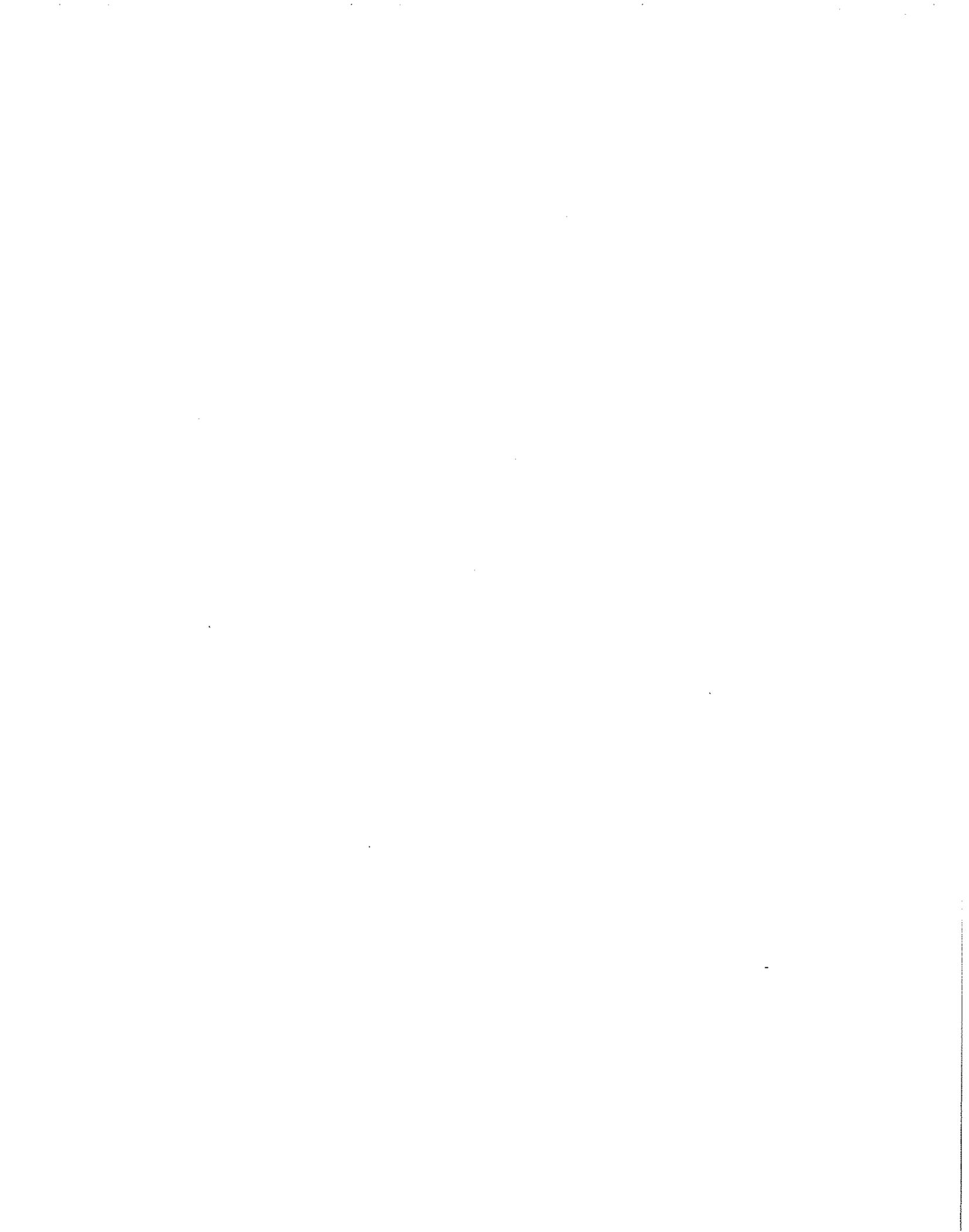
	General	Municipal Aid Road	Other Nonmajor Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 837,140	\$	\$	\$ 837,140
Licenses and permits	136,183			136,183
Franchise fees	187,842			187,842
Fines and forfeitures	140			140
Rents	21,275			21,275
Service charges	1,200			1,200
Interest revenue	2,019	105	29	2,153
Other taxes	821,235			821,235
Cemetery	123,855			123,855
Contributions	5,332			5,332
Intergovernmental revenues	133,921	139,033		272,954
Other	1,407			1,407
Total Revenues	<u>2,271,549</u>	<u>139,138</u>	<u>29</u>	<u>2,410,716</u>
EXPENDITURES				
Current-				
General government	403,466			403,466
Street	238,912	109,590		348,502
Fire	58,226			58,226
Police	1,128,180		5,500	1,133,680
EMS	5,673			5,673
Cemetery	122,362			122,362
Capital Outlay	131,864			131,864
Debt service-				
Principal retirement	41,797			41,797
Interest	11,360			11,360
Total Expenditures	<u>2,141,840</u>	<u>109,590</u>	<u>5,500</u>	<u>2,256,930</u>
Excess (deficiency) of revenues over expenditures	<u>129,709</u>	<u>29,548</u>	<u>(5,471)</u>	<u>153,786</u>
OTHER FINANCING SOURCES (USES)				
Capital lease	72,500			72,500
Proceeds from sale of fixed assets	57,645			57,645
Transfers in	7,650			7,650
Transfers out	(12,267)			(12,267)
Total Other Financing Sources and Uses	<u>125,528</u>			<u>125,528</u>
Net Change in Fund Balances	<u>255,237</u>	<u>29,548</u>	<u>(5,471)</u>	<u>279,314</u>
Fund Balances, July 1	<u>925,506</u>	<u>15,666</u>	<u>5,526</u>	<u>946,698</u>
Fund Balances, June 30	<u>\$ 1,180,743</u>	<u>\$ 45,214</u>	<u>\$ 55</u>	<u>\$ 1,226,012</u>

See accompanying notes to financial statements.

**CITY OF LAWRENCEBURG, KENTUCKY
RECONCILIATION OF THE STATEMENT OF REVENUES
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance-total governmental funds	\$	279,314
<i>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period (Note II. B.)</i>		(9,270)
<i>The issuance of long-term debt (e.g., bonds leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-erm debt and related items. (Note II. B.)</i>		(30,703)
<i>Some expenses reported in the statement of activities do not require the use of , current financial resources and, therefore, are not reported as expenditures in governmental funds. (Note II. B.)</i>		2,882
Change in net assets of governmental activities	<u>\$</u>	<u>242,223</u>



CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2004

		Water and Sewer
ASSETS		
Current Assets:		
Cash and cash equivalents	\$	2,017,120
Investments		1,206,623
Accounts receivable, net		482,439
Accrued interest receivable		11,259
Prepays		102,558
Total current assets		3,819,999
Restricted assets:		
Cash and cash equivalents		1,286,128
Investments		466,000
Total restricted assets		1,752,128
Unamortized debt issuance costs		361,507
Capital assets:		
Land		94,570
Buildings, structures and improvements		1,857,837
Utility plant		27,114,668
Machinery and equipment		1,546,206
Construction in progress		809,241
		31,422,522
Less accumulated depreciation		(8,606,137)
Capital assets, net		22,816,385
Total assets		28,750,019

	<u>Water and Sewer</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	\$ 111,746
Accrued liabilities	34,558
Capital lease obligation, current	37,659
Total Current Liabilities	<u>183,963</u>
Current Liabilities Payable From Restricted Assets:	
Accounts payable	83,878
Retainage	5,451
Accrued interest	166,528
Notes and revenue bonds payable, current	245,194
Deposits	111,057
Total Current Liabilities Payable From Restricted Assets	<u>612,108</u>
Noncurrent Liabilities	
Compensated absences	62,805
Capital leases payable	418,037
Notes and revenue bonds	16,382,374
Total Noncurrent Liabilities	<u>16,863,216</u>
Total Liabilities	<u>17,659,287</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,733,121
Restricted for:	
Debt service	599,233
Capital projects	540,787
Unrestricted	4,217,591
Total net assets	<u>11,090,732</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS-PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004

		<u>Enterprise</u>
		<u>Water and Sewer</u>
Operating Revenues		
Charges for services	\$	3,256,663
Other		396,789
Total Operating Revenues	\$	<u>3,653,452</u>
Operating Expenses		
Personnel services	\$	1,123,567
Materials and supplies		390,898
Maintenance and repairs		154,976
Transportation and training		27,058
Utilities		242,721
Insurance		82,741
Rent		12,870
Legal and professional		94,849
Depreciation		642,177
Other		6,050
River Authority Fee		7,772
Total Operating Expenses	\$	<u>2,785,679</u>
Operating Income	\$	867,773
Nonoperating Revenues (Expenses)		
Intergovernmental revenues		364,179
Investment revenue		95,485
Interest expense and fiscal charges		(395,424)
Net Nonoperating Revenue	\$	<u>64,240</u>
Change in Net Assets		932,013
Total Net Assets, July 1		<u>10,158,719</u>
Total Net Assets, June 30	\$	<u><u>11,090,732</u></u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF CASH FLOWS-PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

Cash flows from operating activities:

Cash received from customers	\$ 3,492,882
Cash payments to suppliers	(1,112,626)
Cash payments to employees	(1,100,787)
Net cash provided by operating activities	<u>1,279,469</u>

Cash flows from capital and related financing activities:

Acquisition and construction of capital assets	(5,798,523)
Principal payments on capital lease	(29,237)
Interest payments on capital lease	(18,635)
Proceeds from capital lease	62,500
Customer deposits	11,782
Governmental grants	364,179
Proceeds from issuance of long-term debt	15,947,797
Repayment of long-term debt	(14,847,866)
Interest and fiscal charges	(530,527)
Net cash provided by capital and related financing activities	<u>(4,838,530)</u>

Cash flows from investing activities:

Proceeds from interest earnings	87,075
Purchase of investments	(500,000)
Maturities/sales of investments	5,031,798
Net cash provided by investing activities	<u>4,618,873</u>

Net decrease in cash and cash equivalents 1,059,812

Cash and cash equivalents at July 1	<u>2,243,436</u>
Cash and cash equivalents at June 30	<u>\$ 3,303,248</u>

Reconciliation of operating income to net cash provided by operating activities:

Operating Income	\$ <u>867,773</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	642,177
Increase (decrease) in- Receivables	(160,570)
Prepays	(97,288)
Increase (decrease) in- Accounts payable and accrued liabilities	19,732
Accrued compensated absencesq	7,645
Total adjustments	<u>411,696</u>
Net Cash Provided By Operating Activities	<u>\$ 1,279,469</u>

See accompanying notes to financial statements.

**CITY OF LAWRENCEBURG, KENTUCKY
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004**

		Cemetery Trust Funds
ASSETS		
Cash and cash equivalents	\$	8
Due from general fund		5,923
Interest and dividends receivable		752
Investments		281,796
Total Assets		288,479
NET ASSETS		
Held in trust for cemetery maintenance	\$	288,479

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

ADDITIONS

Transfers from general fund	\$	12,267
Investment Earnings:		
Net Gain in the Fair Value of Investments		6,510
Interest and Dividends		9,513
Total Additions	\$	<u>28,290</u>

DEDUCTIONS

Transfers to general fund	\$	7,650
Administrative expenses		1,733
Total Deductions	\$	<u>9,383</u>

Change in Net Assets	\$	18,907
Held in Trust for Cemetery Maintenance:		
Net Assets at Beginning of Year		269,572
Net Assets at End of Year	\$	<u>288,479</u>

CITY OF LAWRENCEBURG, KENTUCKY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lawrenceburg, Kentucky (the "City") operates under an elected the mayor and City Council and provides the following services to the citizens of the City: public safety (police and fire), cemetery, street, EMS, water and sewer utilities, and general administrative services.

The accompanying financial statements of the City includes all funds and component units.

The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The governmental Accounting Standards Board (GASB) is the accepted standard for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. New Accounting Standards Adopted

In fiscal year 2004, the City adopted three new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

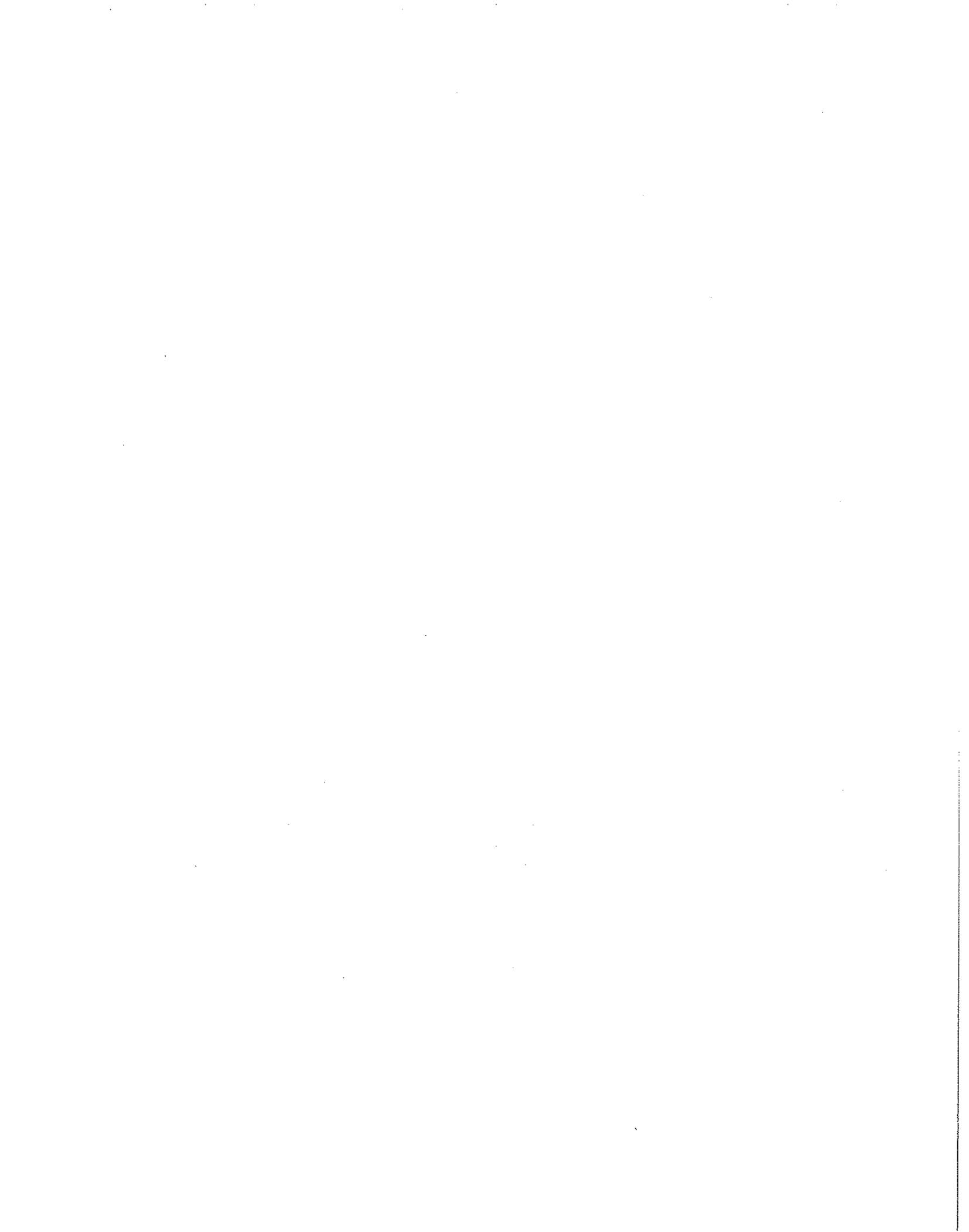
- *Statement No. 34: Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*
- *Statement No. 37: Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*
- *Statement No. 38: Certain Financial Statement Disclosures*
- *Interpretation No. 6: Recognition and Measurements of Certain Liabilities & Expenditures in Governmental Fund Financial Statements.*

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-term Debt Account Group.

The City's implementation of these standards had the following effect on the City's financial statements:

- The City has historically capitalized all capital assets in the proprietary fund, but not the general fund. The City also has not recorded annual depreciation expense or the related accumulated depreciation in the general fund. As of July 1, 2003, the City recorded capital assets of \$1,916,921 and recognized \$517,334 in accumulated depreciation on all governmental activity assets that had not previously been recognized.
- Certain liabilities related to compensated absences and capital leases had not previously been recognized within the City's general fund.



A table summarizing these changes follows:

	General Fund	Municipal Aid Road	COPS Grant
Fund balance, beginning of year, as previously reported	\$ 925,506	\$ 15,666	\$ 5,526
Compensated absences, accrual	(49,840)		
Record capital assets	1,185,471	214,117	
Record capital leases	(198,048)		
Net assets, beginning of year, as restated	<u>\$ 1,863,089</u>	<u>\$ 229,783</u>	<u>\$ 5,526</u>

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Accordingly, the accounting and financial reporting of the City's General Fund, Municipal Aid Road Fund, Capital Projects Fund and COPS Grant Fund is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34 to focus on major funds, as opposed to presenting fund types.

Statement No. 34 also requires certain required supplementary information in the form of Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted and modified General Fund budget with actual results.

Statement No. 37 amends GASB Statements NO. 21 and No. 34. The amendments to Statement 21 are necessary because of the changes to the fiduciary fund structure required by Statement 34. Generally, escheat property that was reported in an expendable trust fund in the previous model should be reported in a private purpose trust fund under Statement 34. Additionally, the amendments either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the GASB Board believes may have unintended consequences in some circumstances. This statement became effective for the City in fiscal year 2004.

GASB has issued Statement No. 38, *Certain Financial Statement Note Disclosures* which modifies, establishes and rescinds certain financial statement disclosure requirements. This statement has become effective to the City in fiscal year 2004.

Interpretation 6 is an interpretation of NCGA Statements 1, 4, and 5; NCGA Interpretation 8; and GASB Statement Nos. 10, 16, and 18. It clarifies the existing modified accrual standards for distinguishing the portion of a liability that should be reported as a governmental fund liability/expenditure from the portion that should be reported as a general long-term liability (i.e., government-wide reporting only).

B. Reporting Entity

The City is governed by an elected major and six-member council. As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. For fiscal year 2004, the City has no component units.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on a significant extent of fees and charges for support. The previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model as defined by GASB Statement No. 34 the focus is either the City as a whole or major individual funds (within the fund financial statements).

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Street, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applications who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the general fund, and municipal aid road fund. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The only nonmajor fund is the COPS grant fund which is in a column in the fund financial statements.

The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (cemetery) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the fiscal period. Grant revenues availability period is generally considered to be one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.



Ad valorem, franchise and insurance premium tax revenues in the General Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose of expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer fund are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are used by the City:

1. Governmental Funds:

The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Street, EMS, and Cemetery) and is the primary operating unit of the City.
- b. Municipal Aid Road Fund accounts for the state revenue received for street repairs and maintenance.
- c. COPS Grant Fund is a nonmajor governmental fund.

2. Proprietary Funds:

The following is a description of the Proprietary Funds of the City:

- a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

3. Other Fund Types:

The City additionally reports for the following Fund:

- a. Cemetery Trust Fund is used to account for the accumulation of resources to be used for the maintenance and perpetual care of the Lawrenceburg Cemetery.

4. Non-Current Governmental Assets/Liabilities:

GASB Statement No. 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental Activities column in the government-wide Statement of Net Assets.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, amounts in demand deposits, and short-term investments with a maturity date within three months of the date acquired by the City.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Property, plant and equipment purchased or acquired is carried at historical cost or estimated historical cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) fixed assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized when material.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvements other than buildings	50
Equipment	5-15
Meters	20
Utility plant	10-50
System infrastructure	20

H. Capitalization of Interest

In conformity with Financial Accounting Standards No. 34, "Capitalization of Interest Cost," the City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use.

I. Compensated Absences

The City's employees earn vacation leave for each year of work performed. The accrual rate increases with years of service up to 20 days per year for 12 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment.

The City's employees accumulate one day of sick leave per month with no maximum accrual. No amount accumulated is paid upon termination of employment.

Accumulated vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance-total governmental funds and net assets-governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$275,708 difference are as follows (amounts in thousands):

Capital leases payable	\$ 228,750
Compensated absences	<u>46,958</u>
Net adjustment to reduce fund balance-total governmental funds	
To arrive at net assets-governmental activities	<u>\$ 275,708</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense." The details of the \$9,270 difference are as follows:

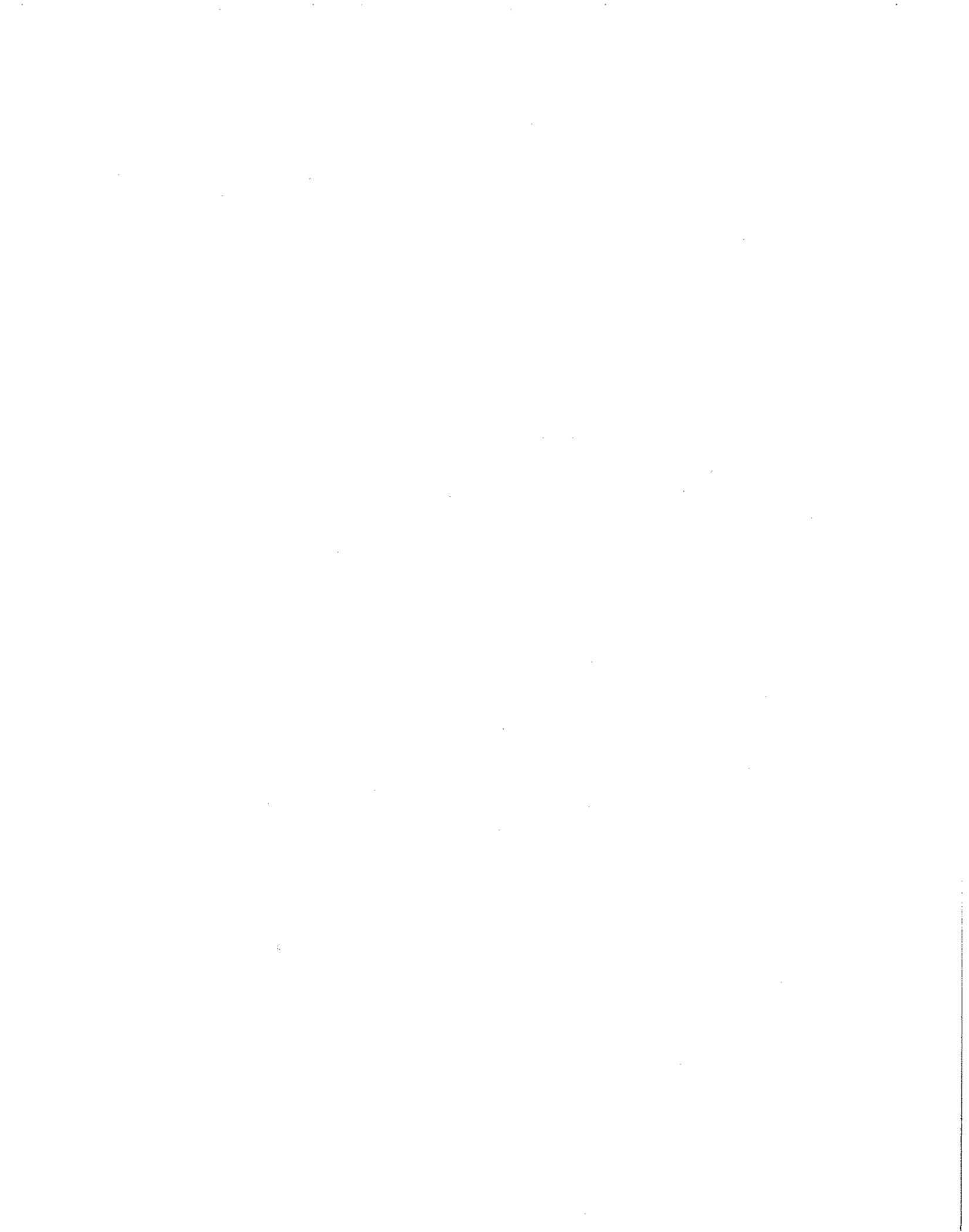
Capital outlay	\$ 131,864
Depreciation expense	<u>(141,134)</u>
Net adjustment to increase net changes in fund balances total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (9,270)</u>

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$30,703 difference are as follows:

Debt issued or incurred:	
Issuance of capital lease	\$ (72,500)
Principal payments:	
Capital leases	<u>41,797</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (30,703)</u>

Another element of that reconciliation states: "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$2,882 difference are as follows:

Compensated absences	\$2,882
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III. DETAILED NOTES ON ALL FUNDS

1. Deposits and Investments

Deposits-The City's deposits were fully insured or collateralized as required at June 30, 2004. At year-end, the carrying amount of the City's demand deposits was \$4,209,812 (bank balance \$4,297,429). The bank balance was covered by collateral with a fair value of \$12,267,926. The collateral is held by various banks in the City's name. (Category 2-Collateralized with securities held by the pledging financial institution's agent in the City's name).

Investments-Investments outside of the cemetery trust funds consist of certificates of deposit. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, or for which securities are held by the counterpart's trust department or agent in the entity's name. Category 3 includes investments that are uninsured and unregistered, or for which the securities are held by the counterpart, or by its trust department or agent but not in the entity's name.

The City's deposits and investments carried at fair value as of June 30, 2004 are:

	Category of Risk	Fair Value
<u>Investments</u>		
Treasury Notes	(1)	\$ 15,707
Federal Home Loan Bank Notes	(1)	15,448
Freddie Mac Notes	(1)	<u>23,351</u>
		54,506
<u>Deposits</u>		
Demand Deposits (all bank accounts)	(1)	400,294
Certificates of Deposit	(2)	3,632,393
Certificates of Deposit	(3)	177,132
Certificates of Deposit	(1)	100,000
Certificates of Deposit	(2)	1,189,059
Certificates of Deposit	(3)	<u>383,564</u>
		5,882,442
<u>Mutual Funds, Investment Pools and Other</u>		
Trust Fund Investments	N/A	<u>234,939</u>
Total Investments and Deposits		<u>\$ 6,171,887</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets for the City follows (amounts in thousands):

	Primary Government	Fiduciary Funds
Carrying Amount of Deposits	\$ 5,882,434	\$ 8
Carrying Amount of Investments	<u>7,649</u>	<u>281,796</u>
	<u>\$ 5,890,083</u>	<u>\$ 281,804</u>
Cash and Cash Equivalents	\$ 4,217,460	\$ 8
Investments	1,206,623	281,796
Investments-Restricted	<u>466,000</u>	<u></u>
	<u>\$ 5,890,083</u>	<u>\$ 281,804</u>

2. Property Taxes

Property Taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at 12 percent on delinquent taxes beginning January 1.

Appraised values are established by the Anderson County PVA at 100 percent of estimated market value. The assessed value for the tax roll of January 1, 2003, upon which the original 2004 levy was based, was \$423,023,517.

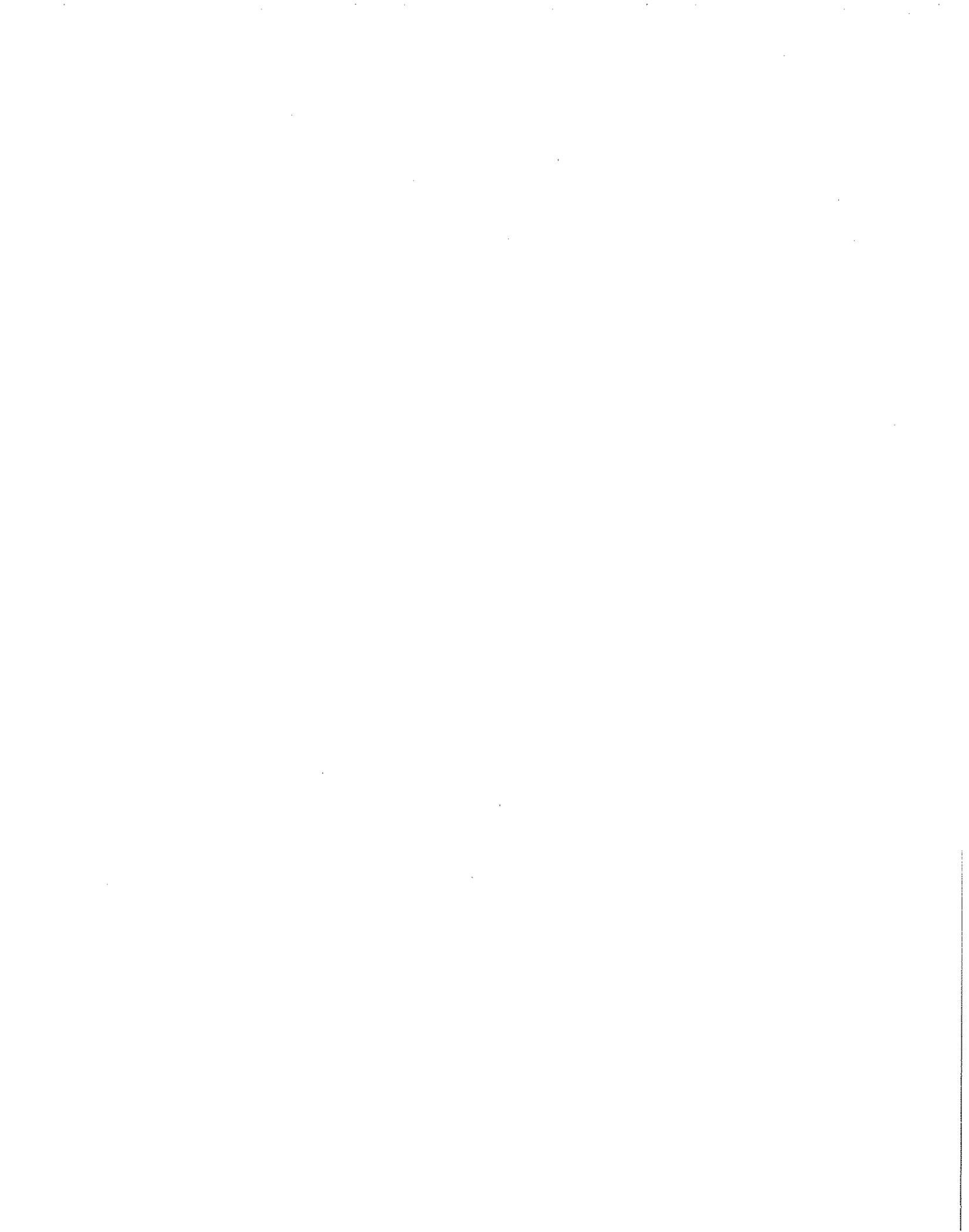
Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

For the fiscal year ended June 30, 2004, the City had a tax rate of \$.1829 per \$100 valuation-real property, \$.02839 personal property, and \$.229 vehicle tax.

3. Receivables

Receivables at June 30, 2004 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

	<u>General</u>	<u>Water & Sewer</u>	<u>Total</u>
Receivables:			
Taxes	\$ 207,473	\$	\$ 207,473
Trade Accounts		442,177	442,177
Unbilled Trade Accounts		87,644	87,644
Reimbursements	1,293	3,073	4,366
Intergovernmental	4,776		4,776
Permits	682		682
Other		1,522	1,522
	<hr/>	<hr/>	<hr/>
Gross Receivables	214,224	534,416	748,640
Less: Allowance for Uncollectibles		(51,977)	(51,977)
Net Total Receivables	<u>\$ 214,224</u>	<u>\$ 482,439</u>	<u>\$ 696,663</u>



4. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 113,500	\$	\$	\$ 113,500
Capital assets, being depreciated:				
Buildings	882,280			882,280
Improvements	70,777	3,944		74,721
Equipment	587,517	126,570		714,087
Infrastructure	<u>262,848</u>	<u>1,350</u>		<u>264,198</u>
Total capital assets being depreciated	<u>1,803,422</u>	<u>131,864</u>		<u>1,935,286</u>
Less accumulated depreciation for:				
Buildings	148,008	22,217		170,225
Improvements	13,136	5,033		18,169
Equipment	301,472	100,380		401,852
Infrastructure	<u>54,719</u>	<u>13,504</u>		<u>68,223</u>
Total accumulated depreciation	<u>517,335</u>	<u>141,134</u>		<u>658,469</u>
Total capital assets, being depreciated, net	<u>1,286,087</u>	<u>(9,270)</u>		<u>1,276,817</u>
Governmental activities capital assets, net	<u>\$ 1,399,587</u>	<u>\$ (9,270)</u>	<u>\$</u>	<u>\$ 1,390,317</u>
	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Water and sewer activities:				
Capital assets, not being depreciated:				
Land	\$ 25,570	\$ 69,000	\$	\$ 94,570
Construction in progress	<u>5,284,802</u>	<u>4,355,519</u>	<u>(8,831,080)</u>	<u>809,241</u>
Total capital assets, not being depreciated	<u>5,310,372</u>	<u>4,424,519</u>	<u>(8,831,080)</u>	<u>903,811</u>
Capital assets, being depreciated:				
Buildings and improvements	1,835,822	15,815		1,851,637
Water and sewer system	18,198,987	8,919,807		27,118,794
Machinery and equipment	<u>1,423,424</u>	<u>124,856</u>		<u>1,548,280</u>
Total capital assets, being depreciated	<u>21,458,233</u>	<u>9,060,478</u>		<u>30,518,711</u>
Less accumulated depreciation for:				
Buildings and improvements	881,350	53,751		935,101
Water and sewer system	5,986,293	518,004		6,504,297
Machinery and equipment	<u>1,096,317</u>	<u>70,422</u>		<u>1,166,739</u>
Total accumulated depreciation	<u>7,963,960</u>	<u>642,177</u>		<u>8,606,137</u>
Total capital assets, being depreciated, net	<u>13,494,273</u>	<u>8,418,301</u>	<u>0</u>	<u>21,912,574</u>
Water and sewer activities capital assets, net	<u>\$ 18,804,645</u>	<u>\$ 12,842,820</u>	<u>\$ (8,831,080)</u>	<u>\$ 22,816,385</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 26,880
Street	39,586
Police	41,841
Fire	24,683
Cemetery	<u>8,144</u>
Total depreciation expense-governmental activities	<u>\$ 141,134</u>
Business-type activities:	
Water and sewer	\$ 642,177
Total depreciation expense-business-type activities	<u>\$ 642,177</u>

The City uses the straight-line depreciation method for property, plant and equipment based on the following estimated useful lives by major class of depreciable fixed assets:

Class	
Buildings and improvements	7 years
Machinery and equipment	5 years
Water and sewer systems	10-50 years
Infrastructure	15-20 years

IV. EMPLOYEE RETIREMENT SYSTEM

County Employees Retirement System (CERS)

City employees who work at least 100 hours per month participate in the County Employees Retirement System (CERS). Under the provisions of Kentucky Revised State 61.645, the Board of Trustees of Kentucky Retirement Systems administers the CERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description-CERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each county and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of the state legislature.

Contributions-For the year ended June 30, 2004, plan members were required to contribute 5% non-hazardous and 7% hazardous of their annual creditable compensation. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. For the year ended June 30, 2004, participating employers contributed 7.34 non hazardous and 18.51 hazardous of each employee's creditable compensation. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The required contribution and the actual percentage contributed for the City for the current year and the previous year is as follows:

Year	Required Contribution	Percentage Contributed
2004	\$199,366	100%
2003	\$169,354	100%
2002	\$158,487	100%

V. LONG-TERM DEBT

General Long-Term Debt

General long-term debt balances and transactions for the year ended June 30, 2004 are as follows (amounts in thousands):

	Balance July 1, 2003	Additions	Retirements and Other	Balance June 30, 2004	Due Within One Year
Capital lease obligations	\$ 198,047	\$ 72,500	\$ (41,797)	\$ 228,750	\$ 53,902
Accrued compensated absences	49,840	1,983	(4,865)	46,958	
Total	<u>\$ 247,887</u>	<u>\$ 74,483</u>	<u>\$ (46,662)</u>	<u>\$ 275,708</u>	<u>\$ 53,902</u>

The principal and interest requirements of the above capital lease obligation debt at June 30, 2004 are as follows:

Fiscal Year	Principal	Interest	Total
2005	\$ 53,902	\$ 9,247	\$ 63,149
2006	56,280	6,978	63,258
2007	45,317	4,597	49,914
2008	27,026	2,856	29,882
2009	19,025	2,097	21,122
2010-2012	27,200	3,186	30,386
	<u>\$ 228,750</u>	<u>\$ 28,961</u>	<u>\$ 257,711</u>

Accrued compensated absences for the general funds will be paid out of the general fund as those liabilities become due.

Debt of Enterprise Funds

The City issued \$8,778,000 of Water and Wastewater System Revenue Bonds, Series 2004, during 2004 at an interest rate of 4.375% and are scheduled to mature serially from 2005 to 2043. The bond proceeds were used to construct a new water plant. The City also issued \$7,500,000 of Revenue Utility Refunding Bonds, Series 2003, during 2004 with an interest rate of 2.5%-5% and are scheduled to mature serially from 2005 to 2028.

The revenue bonds of the Enterprise Funds are payable from operations of the Water and Sewer Fund. The bonds mature annually in varying amounts through fiscal year 2043, and interest is payable semiannually at rates ranging from 2.5%-5.375%. Debt balances and transactions for the year ended June 30, 2004 are as follows:

	Balance July 1, 2003	Additions	Retirements and Other	Balance June 30, 2004	Due Within One Year
Accrued compensated absences	\$ 55,160	\$ 7,645		\$ 62,805	\$
Capital lease obligations	422,435	62,500	(29,239)	455,696	37,659
Waterworks and Sewer System Revenue Bonds	2,731,930	16,278,000	(2,417,930)	16,592,000	240,000
Bond Anticipation Notes	12,425,000		(12,425,000)		
KIA Note	40,502		(4,934)	35,568	5,194
Total	<u>\$ 15,675,027</u>	<u>\$ 16,348,145</u>	<u>\$ (14,877,103)</u>	<u>\$ 17,146,069</u>	<u>\$ 282,853</u>

The revenue bonds are collateralized by the revenue of the water and sewer system and assets of various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is first to be used to pay operating and maintenance expenses of the system and secondly to establish and maintain the special funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions, which restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts calculated in accordance with provisions of the existing bond ordinances and certain financial ratios are met.

The parity standards of the bond ordinance require net revenues, as defined in the ordinance, to exceed 1.3 times the maximum annual debt service requirements. Net revenues for the year were \$1,605,425, and the amount required by the bond ordinances was \$1,417,544. The net revenues equal 1.5 times the maximum annual principal and interest requirements for outstanding bonds for fiscal year 2004.

Accrued compensated absences for the enterprise fund will be paid out of the water and sewer fund as the liabilities become due.

The principal and interest requirement at June 30, 2004, for the enterprise fund debt (excluding accrued compensated absences) for the next five years and, thereafter, are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 282,853	\$ 715,059	\$ 997,912
2006	425,929	705,767	1,131,696
2007	430,401	705,554	1,135,955
2008	441,089	692,422	1,133,511
2009	452,279	678,100	1,130,379
2010-2014	1,798,713	3,180,138	4,978,851
2015-2019	2,251,000	2,759,242	5,010,242
2020-2024	2,601,000	2,209,595	4,810,595
2025-2029	3,247,000	1,530,761	4,777,761
2030-2034	1,452,000	974,531	2,426,531
2035-2039	1,853,000	614,884	2,467,884
2040-2043	1,848,000	166,863	2,014,863
	<u>\$ 17,083,264</u>	<u>\$ 14,932,916</u>	<u>\$ 32,016,180</u>

VI. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at June 30, 2004 is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$	\$ 5,923
Cemetery Trust Fund	5,923	
	<u>\$ 5,923</u>	<u>\$ 5,923</u>

The General Fund Payable represents twenty percent of quarterly cemetery lot sales.

Transfers between funds during the year were as follows:

	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General Fund	\$ 12,267	\$ 7,650
Fiduciary Funds:		
Cemetery Trust	7,650	12,267
Total All Funds	<u>\$ 19,917</u>	<u>\$ 19,917</u>

The General Fund transferred \$12,267 to Cemetery Trust Fund, as required representing twenty percent of cemetery sales. The Cemetery Trust Fund transferred \$7,650 to General Fund, reflecting transfer of fund income for cemetery perpetual care.

VII. COMMITMENTS AND CONTINGENCIES

Grant Audits

The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant

Construction Commitments

The City has active construction projects as of June 30, 2004. The projects include the construction of water and sewer facilities. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Wastewater Treatment Plant	\$491,099	\$7,082,000

The wastewater treatment plant construction project is funded by revenue bond proceeds and cash from operating revenues of the water and sewer system.

VIII. BUDGETARY DATA

The City council adopts an annual legal budget, which covers the General Fund, the Enterprise Fund, and certain Special Revenue Funds (Municipal Aid Road). All unencumbered appropriations lapse at fiscal year-end. The budgets for the General Fund and Special Revenue Funds are prepared on the modified accrual basis. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. Budgetary level of control is exercised at the department level. Any revisions must be approved by the City Council. During fiscal year 2004, the City Council did not approve any budget amendments.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-GENERAL FUND
YEAR ENDED JUNE 30, 2004

	<u>BUDGETED</u> <u>AMOUNTS</u>		Variance with Final Budget- Over/(Under)
	<u>Original and Final</u>	<u>Actual</u>	
Revenues:			
Property taxes	\$ 800,000	\$ 837,140	\$ 37,140
Utility franchise fees	160,000	187,842	27,842
Rental Income	21,000	21,275	275
Licenses	80,000	136,183	56,183
Intergovernmental revenues	85,075	133,921	48,846
Cemetery	124,500	123,855	(645)
Service charges	1,200	1,200	0
Fines and forfeitures	1,000	140	(860)
Contributions	1,600	5,332	3,732
Interest revenue	2,000	2,019	19
Other taxes	736,000	821,235	85,235
Other	2,100	1,407	(693)
Total Revenues	<u>\$ 2,014,475</u>	<u>\$ 2,271,549</u>	<u>\$ 257,074</u>
Expenditures:			
General Government	\$ 400,950	\$ 403,465	\$ (2,515)
Street	413,490	329,763	83,727
Police	1,285,663	1,196,490	89,173
Fire	102,198	84,087	18,111
EMS	6,950	5,673	1,277
Cemetery	145,043	122,362	22,681
Total Expenditures	<u>\$ 2,354,294</u>	<u>\$ 2,141,840</u>	<u>\$ 212,454</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(339,819)</u>	<u>129,709</u>	<u>469,528</u>
Other financing sources (uses):			
Capital lease	150,000	72,500	(77,500)
Transfers in	10,000	7,650	(2,350)
Transfers out	(14,000)	(12,267)	1,733
Proceeds from sales of capital assets	3,000	57,645	54,645
Total other financing (uses)	<u>149,000</u>	<u>125,528</u>	<u>(23,472)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>(190,819)</u>	<u>255,237</u>	<u>446,056</u>
Fund balance at beginning of year	400,000	925,506	525,506
Fund balance at end of year	<u>\$ 209,181</u>	<u>\$ 1,180,743</u>	<u>\$ 971,562</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-MUNICIPAL AID ROAD FUND
YEAR ENDED JUNE 30, 2004

	<u>BUDGETED</u> <u>AMOUNTS</u>		Variance with Final Budget- Over/(Under)
	<u>Original and Final</u>	<u>Actual</u>	
Revenues:			
Intergovernmental revenues	\$ 105,601	\$ 139,033	\$ 33,432
Interest revenue	200	105	(95)
Total Revenues	<u>\$ 105,801</u>	<u>\$ 139,138</u>	<u>\$ 33,337</u>
Expenditures:			
Street	105,801	109,590	(3,789)
Total Expenditures	<u>\$ 105,801</u>	<u>\$ 109,590</u>	<u>\$ (3,789)</u>
Excess of revenues over expenditures		<u>29,548</u>	<u>29,548</u>
Fund balance at beginning of year		<u>15,666</u>	<u>15,666</u>
Fund balance at end of year		<u>\$ 45,214</u>	<u>\$ 45,214</u>

See accompanying notes to financial statements.

CITY OF LAWRENCEBURG, KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
HOUSING AND URBAN DEVELOPMENT			
Passed Through the Kentucky Department of Local Government:			
Community Development Block Grant/State's Program	14.228	01-041	<u>10,600</u>
TOTAL U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT			<u>10,600</u>
ENVIRONMENTAL PROTECTION AGENCY			
Water Management Program	66.468	XP98493200	<u>313,517</u>
TOTAL U.S. DEPT OF ENVIRONMENTAL PROTECTION AGENCY			<u>313,517</u>
HOMELAND SECURITY			
Passed Through FEMA-Emergency:			
Preparedness and Response	97.039	EMW-2003-GF-16116	<u>10,396</u>
TOTAL DEPT OF HOMELAND SECURITY			<u>10,396</u>
U.S. DEPT OF AGRICULTURE			
Passed Through Rural Development:			
Water and Waste Disposal System for Rural Communities	10.760	2004 Loan	<u>8,778,000</u>
TOTAL U.S. DEPT OF AGRICULTURE			<u>8,778,000</u>
U.S. DEPT OF JUSTICE			
Passed Through Kentucky Department of Justice:			
COPS	16.710	2003	<u>5,500</u>
TOTAL U.S. DEPT OF JUSTICE			<u>5,500</u>
TOTAL FEDERAL EXPENDITURES OF AWARDS			<u><u>9,118,013</u></u>

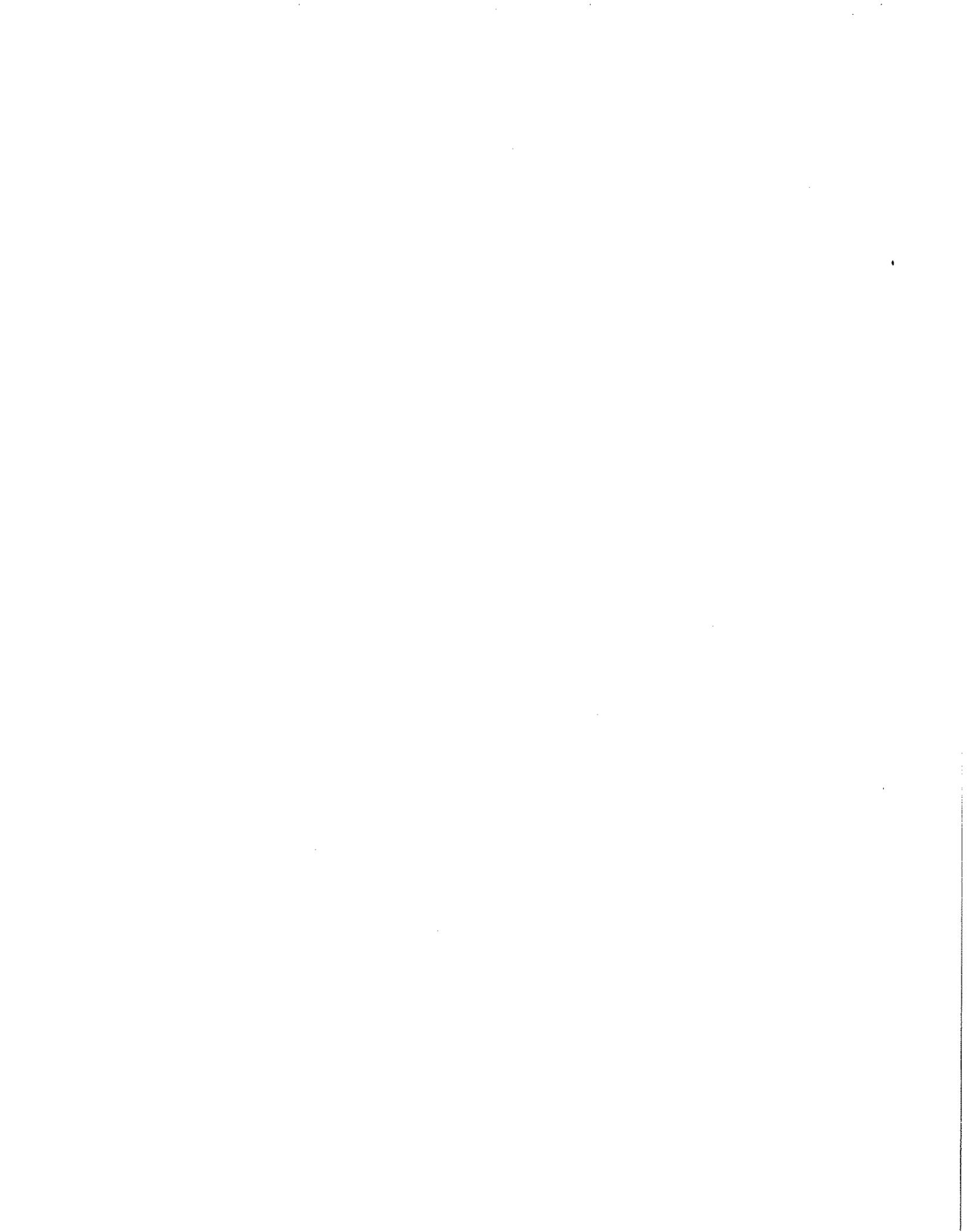
See accompanying notes to schedule of expenditures of federal awards.

CITY OF LAWRENCEBURG, KENTUCKY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Lawrenceburg, Kentucky and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS



Section II-Financial Statement of Findings

No matters were reported.

Section III-Federal Award Findings and Questioned Costs

No matters were reported.

**CITY OF LAWRENCEBURG, KENTUCKY
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2004**

There were no prior year audit findings.

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

F A R M E R & H U M B L E
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 212
LAWRENCEBURG, KENTUCKY 40342
(502) 839-3588

Honorable Mayor and City Council
City of Lawrenceburg
205 East Woodford Street
Lawrenceburg, Kentucky 40342

We have audited the financial statements of the City of Lawrenceburg, Kentucky as of and for the year ended June 30, 2004, and have issued our report thereon dated September 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Lawrenceburg, Kentucky's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulation, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards. Deposits at Lawrenceburg National Bank were undercollateralized at year-end. The collateral is adequate at the report date.

Internal Control Over Financial Reporting

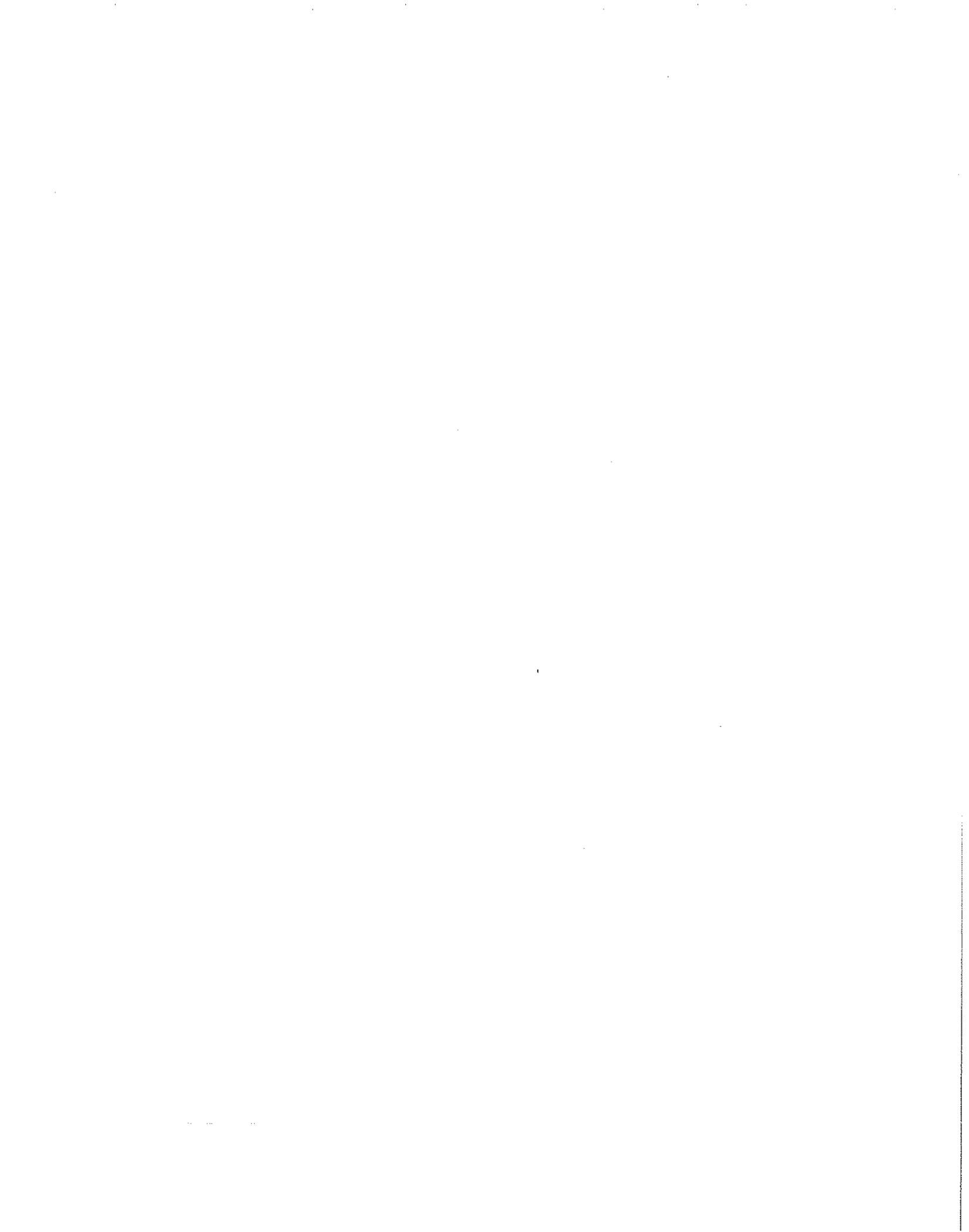
In planning and performing our audit, we considered the City of Lawrenceburg, Kentucky's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Farmer & Humble

Farmer & Humble
Certified Public Accountants
September 15, 2004

**INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**



FARMER & HUMBLE
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 212
LAWRENCEBURG, KENTUCKY 40342
(502) 839-3588

Honorable Mayor and City Council
City of Lawrenceburg
205 East Woodford Street
Lawrenceburg, Kentucky 40342

Compliance

We have audited the compliance of the City of Lawrenceburg, Kentucky with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. City of Lawrenceburg, Kentucky's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Lawrenceburg, Kentucky's management. Our responsibility is to express an opinion on the City of Lawrenceburg, Kentucky's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Lawrenceburg, Kentucky's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lawrenceburg, Kentucky's compliance with those requirements.

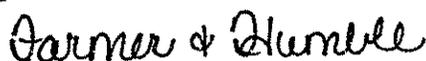
In our opinion, City of Lawrenceburg, Kentucky, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of City of Lawrenceburg, Kentucky, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulation, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Lawrenceburg, Kentucky's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirement of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Farmer & Humble
Certified Public Accountants
September 15, 2004

John David Myles
Attorney at Law

535 1/2 MAIN STREET
SHELBYVILLE, KENTUCKY 40065

(502) 633-3252

January 26, 2006

RECEIVED

JAN 26 2006

PUBLIC SERVICE
COMMISSION

Hon. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

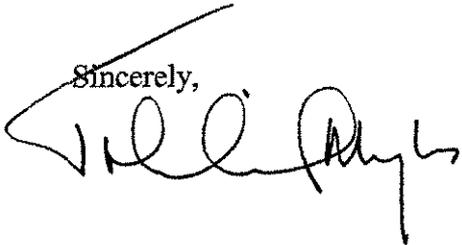
RE: Tariff Revision - City of Lawrenceburg

Case No. 2006-00067

Dear Ms. O'Donnell:

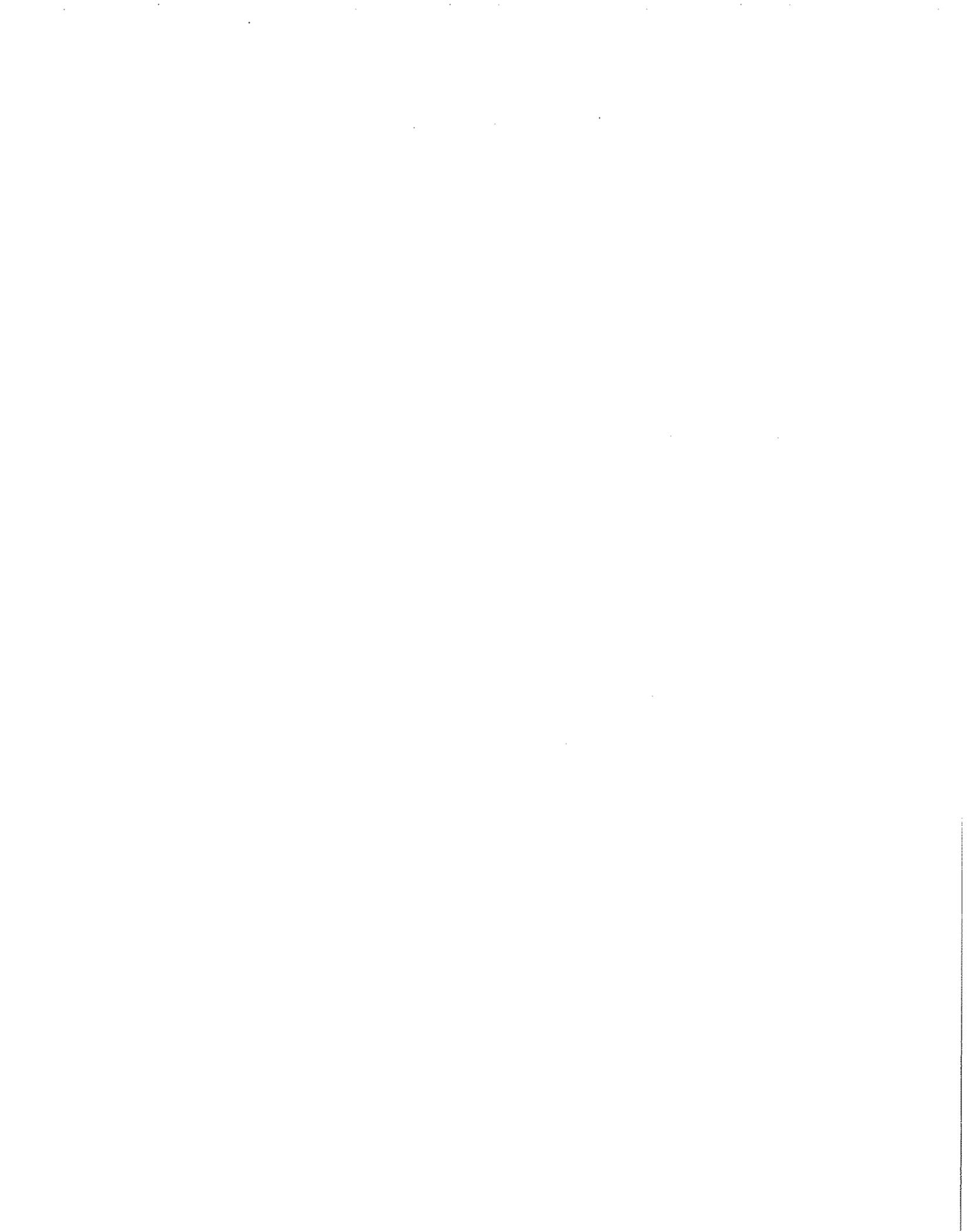
Enclosed please find four originals of a proposed revision to the tariff of the City of Lawrenceburg reflecting the amendment of its existing Water Purchase Contract with the South Anderson Water District. You will also find copies of the Amendment to Water Purchase Contract and the ordinance passed by the City to conform its then existing ordinances to the provisions of the Amendment.

Should you have any questions or if I can provide you or Commission staff any further information, please do not hesitate to contact me. Thank you for your assistance in this matter.

Sincerely,


Enclosures: Revised Tariff sheet
Amendment to Water Purchase Contract
City of Lawrenceburg Ordinance 2006-03

cc: Ray Edelman, Esq.



FOR Lawrenceburg, Kentucky
Name of Municipality

P.S.C. KY. No. _____

_____ SHEET NO. _____

City of Lawrenceburg
(Name of Municipal Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

MONTHLY WHOLESALE WATER RATE:

South Anderson Water District

- | | | | |
|-----|--|-------------|-------------------|
| (I) | First 8 Million Gallons (@ \$2.15 per 1,000) | \$17,200.00 | Minimum Bill |
| (I) | All Usage over 8 Million Gallons | 2.00 | Per 1,000 Gallons |

(T) Per ORDINANCE 2006-03 (Amending Ordinance 2004-14) these rates shall be subject to change annually in accord with the increase in the Consumer Price Index as provided by the Kentucky Governor's Office for Local Development and, no more often than once every five years, based on the results of a Cost of Service Study.

(T) A Water purchase Contract, entered as of the 14th day of June, 2004, and an Amendment to Water Purchase Contract entered as of the 19th day of January, 2006, between the City of Lawrenceburg and the South Anderson Water District is on file at the offices of the Kentucky Public Service Commission.

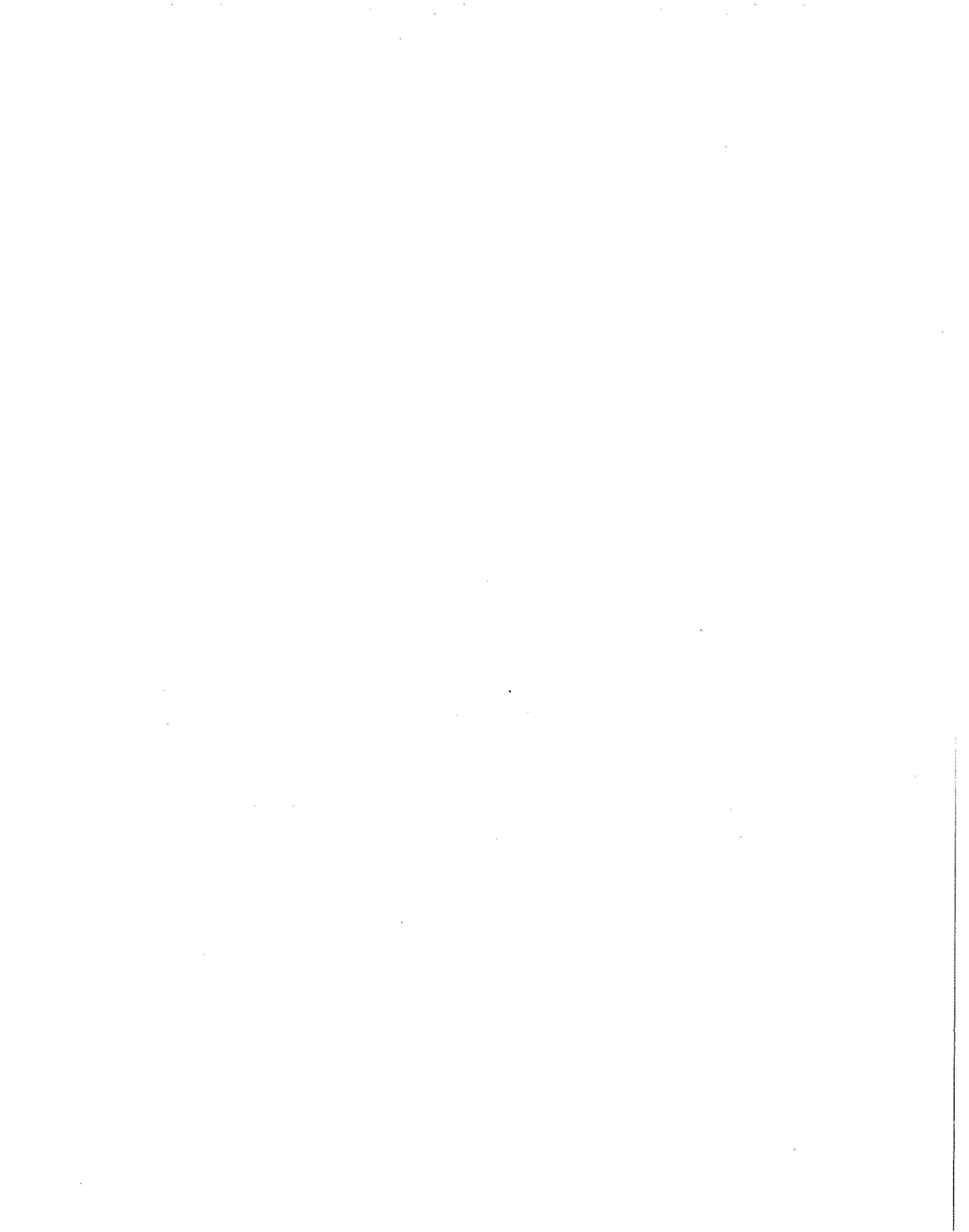
DATE OF ISSUE January 25, 2006
Month/Day/Year

DATE EFFECTIVE February 27, 2006
Month/Day/Year

ISSUED BY Edurnina Bates
(Signature of Officer)

TITLE City Clerk/Administrator

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. _____ dated _____



AMENDMENT TO WATER PURCHASE CONTRACT

This Amendment to Water Purchase Contract is entered this 19th day of January, 2006, by and between the City of Lawrenceburg, Kentucky, 100 North Main Street, Lawrenceburg, Kentucky 40342, hereinafter referred to as the "Seller", and the South Anderson Water District, Post Office Box 16, Lawrenceburg, Kentucky 40342, hereinafter referred to as "Purchaser."

WHEREAS, the Seller and Purchaser entered a Water Purchase Contract dated June 14, 2004, and

WHEREAS, the Seller and Purchaser wish to make certain amendments to the terms of the Water Purchase Contract,

NOW THEREFORE THE PARTIES AGREE AS FOLLOWS:

1. Section B. of the Water Purchase Contract is amended by eliminating footnote 1 in its entirety.

2. Subsection C. 5. of the Water Purchase Contract is amended to read as follows: "5. (Modification of Contract) a. That the provisions of this contract pertaining to the schedule of rates to be paid by the Purchaser for water delivered are subject to modification pursuant to the Consumer Price Index (CPI) adjustment of rates as follows: On or before March 1 of each calendar year, the Treasurer for the Seller shall access from the Kentucky Department for Local Government, or its successor, the annual increase or decrease in the consumer Price Index (CPI) of the preceding year as otherwise set out in KRS 83A.075 at the time of the execution of this Amendment to Water Purchase Contract. If the CPI has increased, the Treasurer shall calculate an increase of the rates and charges for the usage of water by applying the CPI to each rate and charge. Notice of the CPI percentage increase of each water rate and charge shall be mailed to Purchaser not later than May 30 and published by Seller in a local newspaper qualifying under KRS Chapter 424. The increase shall be effective for all bills issued after May 30 or the date of publication, which ever is later, provided that the CPI rate increase shall be applied to all of the Seller's customers.

"b. That the Seller may from time to time, in lieu of the procedure set forth in subsection 5. a. above, obtain a Cost of Service Study of Seller's system. Such cost of service study shall be based on data from Seller's fiscal year immediately prior to the year in which the study is performed and shall include increased capitalization necessary for Seller to serve customers in Purchaser's service territory. Any increase or decrease in rates demonstrated by the cost of service study shall become effective in Seller's fiscal year immediately following presentation of the completed study to the parties. Rates determined by a cost of service study shall remain in effect for the fiscal year in which they are imposed and may thereafter be increased pursuant to subsection 5.a. above or increased or decreased pursuant to a subsequent cost of service study performed pursuant to this subsection. Seller may not increase or decrease rates based on a cost of service study more often than every fifth year. If Seller adopts any rate increase or decrease from a cost of service study, it shall adopt all increases or decreases recommended by that study.

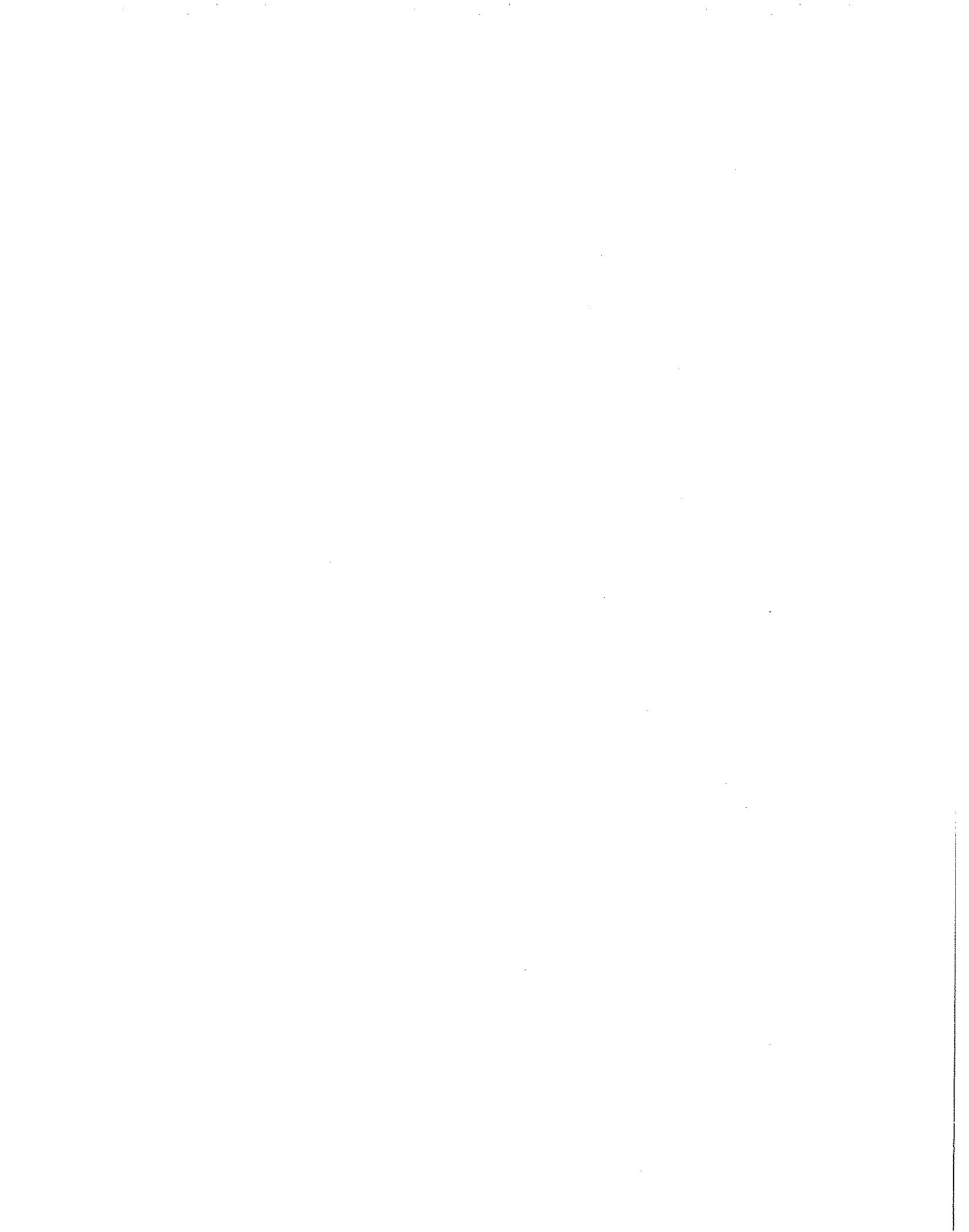
"c. That the other provisions of this contract may be modified or altered by written agreement of the parties."

3. It is acknowledged between the parties that this Amendment to Water Purchase Contract must be approved by the Kentucky Public Service Commission. Notwithstanding the provisions of Subsection 5., above, in the month following its approval, if such approval occurs prior to April 30, 2006, the rates set forth in subsections B. 1. a. and b. shall be increased by 3.260 % for the remaining months prior to June 1, 2006. If approval is received after April 30, 2006, the rates for Seller's fiscal year 2006-07 subsequent to approval shall be calculated pursuant to the provisions of Subsection 5. as if the 3.260% increase for fiscal year 2005 had been applied.

4. It is acknowledged between the parties that Seller has incurred costs in the amount of \$1,330.00 to begin a cost of service study pursuant to the Water Purchase Contract. Purchaser agrees to reimburse Seller's costs for such study within thirty (30) days of receipt of documentation showing amounts paid.

5. Upon execution of this Amendment to Water Purchase Contract, Seller shall take all necessary action to conform its ordinances to the provisions set forth herein.

6. The parties shall cooperate fully in obtaining all necessary regulatory or other approvals to which this Amendment to Water Purchase Contract is subject.



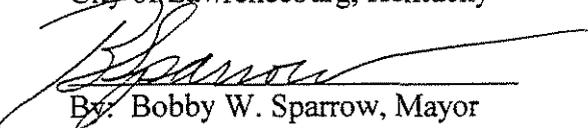
7. The parties represent, each to the other, that they have taken all actions necessary to approve execution of this Amendment to Water Purchase Contract by their authorized representatives.

8. All portions of the Water Purchase Contract not specifically altered by this Amendment to Water Purchase Contract shall remain in full force and effect.

WITNESS the signatures of the parties, by and through their authorized representatives, on the date first above written.

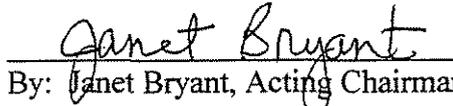
SELLER:

City of Lawrenceburg, Kentucky

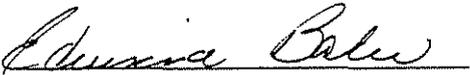

By: Bobby W. Sparrow, Mayor

PURCHASER:

South Anderson Water District


By: Janet Bryant, Acting Chairman

ATTEST:


Edwinna Baker, Clerk

ATTEST:


George Kinne, Secretary

AN ORDINANCE RELATING TO THE
RATES CHARGED THE SOUTH ANDERSON WATER DISTRICT
BY THE CITY OF LAWRENCEBURG, KENTUCKY

2006-03

WHEREAS, the City of Lawrenceburg, Kentucky, and the South Anderson Water District entered a Water Purchase Contract dated June 14, 2004, and

WHEREAS, the City and South Anderson entered an Amendment to Water Purchase Contract dated January 19, 2006, and

WHEREAS, the Amendment entered by the City and South Anderson requires certain modifications to the existing ordinances of the City of Lawrenceburg,

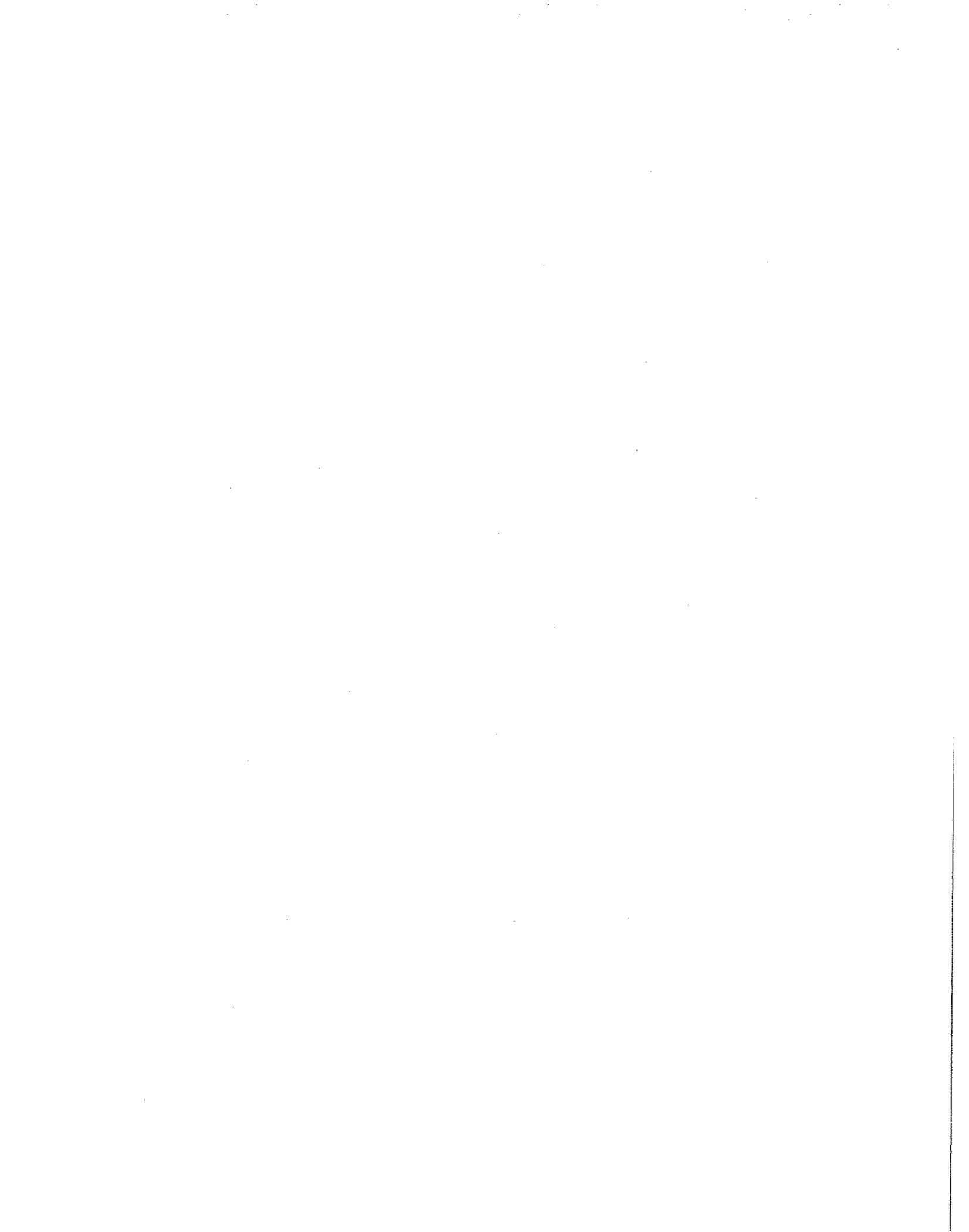
NOW THEREFORE, be it ordained by the Board of Council of the City of Lawrenceburg, convened in special session on the 20th day of January, 2006, as follows:

Section One. Section 51.108(D) of the ordinances of the City of Lawrenceburg is amended to read as follows:

(D) Consumer Price Index (CPI) adjustment of rates. On or before March 1 of each calendar year this section is in effect, the Treasurer for the city shall access from the Kentucky Department for Local Government Governor's Office for Local Development, or its successor, the annual increase or decrease in the Consumer Price Index (CPI) of the preceding year as otherwise set out in KRS 83A.075 at the time of the enactment of this section. If the CPI has increased, the Treasurer shall calculate an increase of the rates and charges for the usage of water by applying the CPI to each rate and charge. Notice of the CPI percentage increase of each water rate and charge shall be mailed to each customer not later than May 30 and published in a local newspaper qualifying under KRS Chapter 424. ~~This CPI adjustment of rates shall not apply to rates paid under contract by Water Districts.~~

Section Two. Section 51.108(E) of the ordinances of the City of Lawrenceburg is amended to read as follows:

~~(E) The rates paid by Water Districts under contract shall be subject to change at the end of every two year period beginning January 2006 based on the results of a Cost of Service Study. In lieu of the procedure set forth in subsection (D) of this section, the rates paid by Water Districts may be subject to change based on the results of a Cost of Service Study in a manner consistent with the City's then existing contracts with the Water Districts.~~



Section Three. This ordinance shall become effective upon passage, attestation, publication, and the approval by the Kentucky Public Service Commission of tariffs of South Anderson Water District consistent with this ordinance and the Water Purchase Contract and Amendment to Water Purchase Contract between the City of Lawrenceburg, Kentucky, and the South Anderson Water District.

Passed and approved by the Board of Council of the City of Lawrenceburg, Kentucky on this 13th day of February, 2006, with yea and nay votes of the Board of Council as follows:

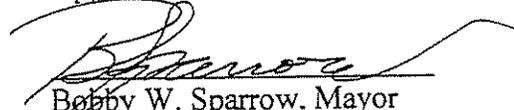
	Yea	Nay
Ken Evans	<u>X</u>	_____
Larry Giles	<u>Absent</u>	_____
Alan Kays	<u>X</u>	_____
Bob Mefford	<u>X</u>	_____
Helen Shryock	<u>X</u>	_____
Denny Warford	<u>Absent</u>	_____

Given First Reading and Passed on January 9, 2006.

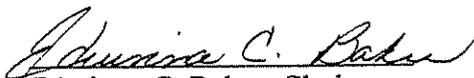
Given Second Reading and Passed on January 20, 2006.

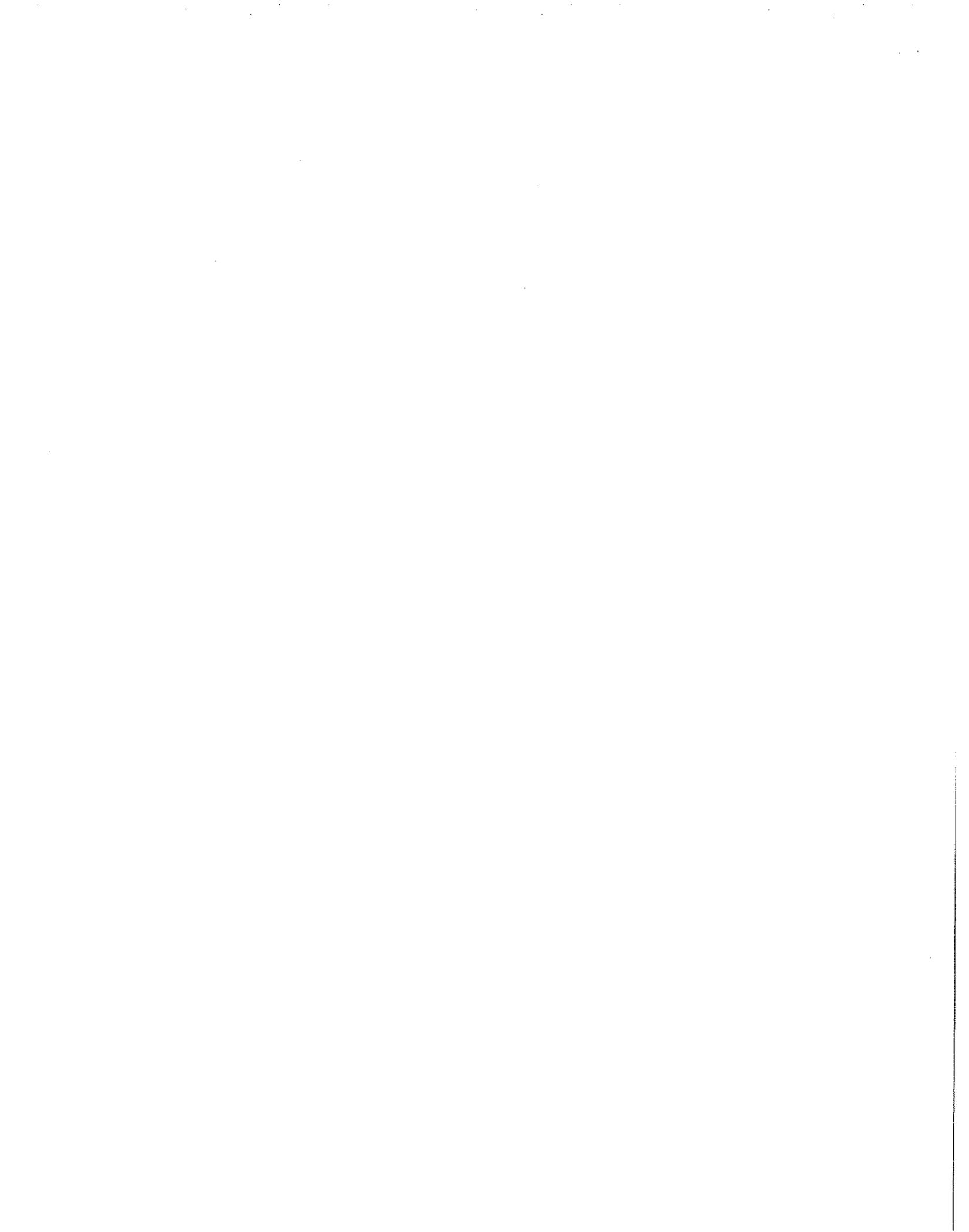
Published in *The Anderson News* on January 25, 2006.

Approved:


Bobby W. Sparrow, Mayor
City of Lawrenceburg

Attest:


Edwinna C. Baker, Clerk



EXECUTIVE ORDER

Number 2006 -- 01

Relating to the delegation of the power, duties or responsibilities of Mayor of the City of Lawrenceburg, Kentucky:

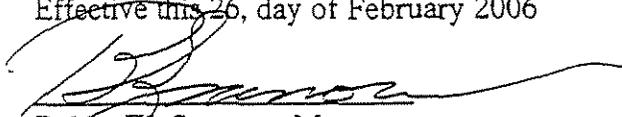
W H E R E A S. Kentucky Revised Statutes 83A.130 (7), (10), codified in the Lawrenceburg, Kentucky, code of Ordinances Section 31.14 and 31.17 . delegation of duties by Executive Order, provides that the Mayor may delegate any power, duties,

responsibilities, or official authority to fulfill executive functions to subordinate officers and employees by Executive Order:

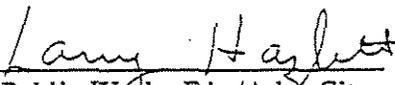
W H E R E A S. I shall be absent from the City of Lawrenceburg for a period of time commencing on February 26, 2006 and ending on February 29, 2006 said period inclusive of the aforementioned dates:

N O W T H E R E F O R E. I, Bobby W. Sparrow, Mayor of the City of the City of Lawrenceburg, Kentucky, do hereby order, direct, name and appoint Edwinna Baker as Acting Mayor of the City of Lawrenceburg, for the aforementioned period of time, all pursuant to the aforementioned legislation.

Effective this 26, day of February 2006


Bobby W. Sparrow, Mayor
City of Lawrenceburg

ATTEST:


Public Works Dir./Adm City of Lawrenceburg

